WEEK OF SEPTEMBER 1, 1980

business insurance

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update:

Senate approves bill limiting PBGC liability

WASHINGTON—The Senate last week approved legislation (H.R. 3904) strengthening the nation's multiemployer pension plan system.

The measure reduces the liabilities of the Pension Benefit Guaranty Corp., the federal agency that guarantees workers' pensions. The bill also raises

Continued on next page

Wellness epidemic sweeps companies

By JILL KAPLAN

CHICAGO—A *wellness* epidemic is sweeping the nation.

Employers are promoting employe health with everything from multimillion-dollar sports facilities to executive retreats at luxury health spas.

They might budget as much as $1 million a year to health, but they are banking on saving money in the long run through increased productivity, reduced absenteeism and reduced health insurance costs.

"Interest (in promoting health) is skyrocketing," said Ruth Behrens, director of the Center for Health Promotion at the American Hospital Assn. in Chicago.

The center, which advises the nation's 7,000 hospitals on health and education programs, received 70 requests this April from hospitals interested in helping businesses set up programs. Last year it received five to 10 requests a month.

"There's nothing like an idea whose time has come," agreed Charles Althafer, director of special projects at the Center for Disease Control in Atlanta.

CDC, which just started a health promotion program for its 2,000 employes, has more than 600 grant applications from health departments interested in starting their own programs.

The rising cost of health care has pushed the programs to the fore. The costs in the United States have been rising about 12.4% a year the past decade, with a 15% increase last year. Today's health care system costs $212.5 billion and is expected to reach $3 trillion by the year 2000 if cost increases continue at the present rate, reports the Department of Health and Human Services.

"We certainly do think it will affect cost," said Dr. E. Carroll Curtis, manager of medical programs at Westinghouse Electric Corp. in Pittsburgh. "More than that, it will have a big effect on productivity. That's the larger thrust."

Pepsico's director of fitness programs, Dennis Colacino, said a new 12,000-square-foot fitness facility, track and pool in Purchase, N.Y., help recruiting efforts, too.

"Vibrant, energetic people want to be around other exciting, creative individuals," said Mr. Colacino, who is also president of the American Assn. of Fitness Directors. "A healthier, happier employe with a good self-image will be a more productive employe."

"We're all hopeful that it's going to reduce sick leave, but we've got a long way to go in documentation," said CDC's Mr. Althafer.

"The trends are there, but we don't have the data," agreed Mr. Colacino.

"We're seeing people who have lost 25 pounds and dropped their resting heart rate by 30 beats, but those are only isolated cases," Mr. Colacino said. "I don't know if I'd want to crow yet."

It will be about 10 years before any significant annual savings will be achieved, said Dr. Robert E. Dedmon, staff vp-medical af-

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Photos: Kimberly-Clark



Steps to health
Appraisal
Education
Treatment



Photo: Control Data

New owners ready to tackle old helmet liability lawsuits

By RHONDA L. RUNDLE

LOS ANGELES—The new owners of Riddell Inc. and Bell Helmets Inc. are wagering they can successfully defend product liability lawsuits pending against the helmetmakers.

Wynn's International Inc. has sold the two companies and its Bermuda captive insurance subsidiary, Santana Ltd., to a group of private investors. Terms of the sale closed Aug. 18 have not been disclosed.

"We've made an exhaustive study of the product liability is-

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Photo: Wide World

Three-fourths of all pro football players wear Riddell helmets. The company so far has a winning record in the legal arena.

Utilities can plug shutdown costs

By STUART EMMRICH

NEW YORK—A utility company that loses its source of nuclear power now can buy insurance to cover the cost of continuing business when the lights go out.

The first-time coverage, which will be available Oct. 1, will pay for continuing expenses of a utility that loses revenues because of a nuclear power plant failure.

The insurance package was put together by the American Public Power Insurance Assn. trade group and Fred S. James & Co. It is to cover debt service payments, ongoing maintenance and security costs.

About 170 underwriters have agreed to take a chunk of the business. Lloyd's of London syndicates will write about 60% of each policy.

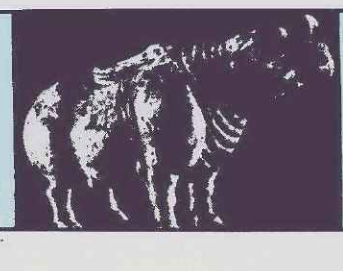
Premiums probably will range from $450,000 to $1 million a year, depending on the size of the nuclear plant and the limits sought by the utility, said Richard Grennan, risk and insurance manager of Nebraska Public Power District, a member of APPIA. Losses will be paid for a maximum of two years, following a 120-day deductible period.

The program is the latest example of new demand for nuclear in-

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Senate committee tunes up risk act
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Priceless Chinese art gets $50 million tag
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update:

Senate approves PBGC bill

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termination insurance premiums and makes an employer who withdraws from the plan responsible for his share of the plan's unfunded vested liabilities.

Both the Senate and House earlier dropped a controversial, unrelated amendment that would have barred the Occupational Safety and Health Administration from conducting safety inspections at most small firms.

The Senate, however, added a provision proposed by Sen. Spark Matsunaga (D-Hawaii) that would exempt from ERISA pre-emption Hawaii's prepaid health care law.

The amended bill has to be approved by the House.

Bridge policy costs more

TALLAHASSEE—Florida will have to pay an additional $55,795 for bridge and turnpike insurance because the lowest bidder for the contract missed a deadline.

Walton Insurance Services of West Palm Beach, which submitted the second lowest bid of $705,552, was awarded the account after Hunter, Jackson & Associates of Orlando could not deliver binders to an Aug. 26 state cabinet meeting. The firm had submitted the low bid of $649,757 (*BI*, Aug. 18).

Peninsular Fire Insurance Co. of Jacksonville was the insurer recommended by Hunter, Jackson. It said Peninsular was having difficulty with reinsurance.

The state's bridge and turnpike insurance, written by National American Insurance Co. of Omaha, was canceled effective Sept. 1 as a result of the May 9 disaster in which a ship struck the Sunshine Skyway bridge causing the main section of one span to collapse. That program was $428,000 a year.

United States Liability Insurance Co. of King of Prussia, Pa., writes the physical damage and loss of revenue insurance for the bridges under the new program. Southeastern Fire Insurance Co. of Charlotte writes property insurance on the turnpike and $500,000 primary liability insurance. Integrity Insurance Co. of Rochelle Park, N.J., provides $9.5 million liability insurance excess of $500,000.

Marine insurers revise rules

LONDON—Marine underwriters here, suffering from sagging profits, plan to stiffen rating procedures to increase premiums, announced the Joint Hull Committee representing Lloyd's and other London marine underwriters.

Fleets with bad claims records could face 30% premium hikes upon renewal.

The committee said it has revised rules on renewals, major casualties and deductibles of the Joint Hull Understandings, a guide to insuring and renewing coverages for ships. The guide was revised last year also, the first time in four years major changes were made.

The changes essentially will raise insured values by about one-third, which will mean higher premiums on renewal. Deductibles will also rise about 20%.

Hearings probe tanker crash

NEW ORLEANS—The U.S. Coast Guard and the National Transportation Safety Board were conducting hearings last week into the cause of a collision between the Texaco oil tanker North Dakota and a partially completed oil drilling facility being built by Chevron Oil 100 miles in the Louisiana gulf.

The spectacular collision Aug. 21 sent millions of gallons of unblended gasoline and lubrication oil up in smoke, tearing a gaping hole in the 565-foot tanker which remained wedged to the stationary oil rig jacket last week. The $10 million oil rig is insured in the U.S. market.

The North Dakota, valued at more than $3 million, is part of Texaco's 138-vessel ocean-going fleet, with insurance pooled through Alexander & Alexander of New York from the U.S. and international market. Among the underwriters is C.E. Heath Ltd. in London.

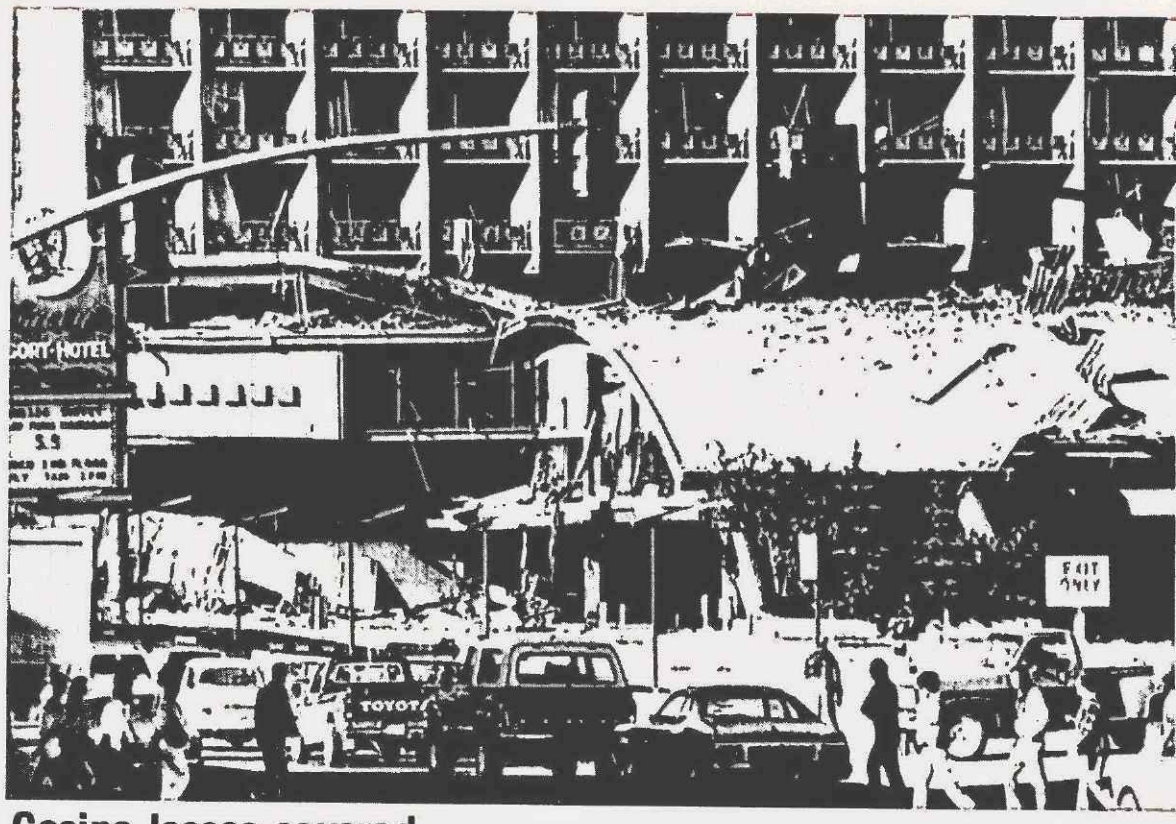
Big fire loss is underinsured

CHICAGO—A multimillion dollar fire, the largest in Chicago in 13 years, gutted two warehouses last Tuesday. Illinois Warehouse Corp., in whose building the blaze started, is not fully insured for the property loss, said a spokesman. But the firm has no liability for the contents, owned by some 20 customer firms including Union Oil Co. and Eastman Kodak Co., he said.

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Casino losses covered

Harvey's Resort Hotel-Casino in Stateline, Nev., will collect for business interruption losses from the past holiday weekend when they were closed down by an extortionist's bomb explosion last Wednesday. A business interruption policy placed with a number of insurance companies by Swett & Crawford group in San Francisco will be tapped to cover lost revenues from a traditionally big holiday weekend. Fireman's Fund, the major primary property insurance policy underwriter for Harvey's, will cover most of the millions of dollars in property damage. Other insurers on the property risk are New Hampshire Insurance Co., part of Granite State Group, and Fremont Indemnity in California. The property policies are brokered by Corroon & Black of Reno and Western General Agency in Salt Lake City, which also handles liability insurance for Harvey's. There were no injuries in the explosion that did considerable damage to the first three floors of the casino.

Risk pool act revision limits domicile location

By JERRY GEISEL

WASHINGTON—The Risk Retention Act, already overhauled once, has been tuned up by legislative mechanics at the Senate Commerce Committee, *Business Insurance* learned.

The latest version of the bill, drafted during the past two weeks by Commerce Committee staff, would limit the homes for risk retention groups to the U.S., Bermuda and the Cayman Islands.

An earlier draft bill would have allowed a product liability pool to service members in all states if it received an insurance company charter in any foreign country.

The new revision, however, retains the essential plan to allow manufacturers to pool their product liability risks and provide insurance to members as an alternative to domestic insurance companies and offshore captive insurers.

Restricting foreign-based risk retention groups to Bermuda and the Cayman Islands, however, is a recognition that some foreign captive domiciles lack insurance departments as effective as those in Bermuda and the Cayman Islands, a government source said.

Limiting foreign-based groups to Bermuda and the Cayman Islands also represents a concession to insurance trade groups that warned that without such a restriction, the pools would be attracted to domiciles with minimal licensing requirements.

"The use of the state of the lowest common denominator can work to a severe detriment for the insurance-consuming public," American Insurance Assn. counsel Dennis Connelly had earlier warned in a letter to the Commerce Committee (*BI*, July 28).

Mr. Connelly now says the Bermuda and Cayman Islands restriction makes "the bill better than it was, but it still is a bad idea. Why should an advantage be given to foreign-based groups?" he asked.

The National Assn. of Manufacturers, a major supporter of the proposal, approves of the recent change. "We have no problems with it. We can live with it," said NAM staffer David Sloane.

Other changes were made to the proposal, which is expected to be voted on this month by the Commerce Committee:

- Risk retention groups will have to report their losses and claims experience to states that

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Cash-flow plans could be illegal: Texas bulletin

By RHONDA L. RUNDLE

AUSTIN, Tex.—Cash-flow insurance plans are under attack again.

After a five-month investigation, the Texas board of insurance has issued a bulletin to agents and brokers warning that cash-flow plans have not been approved for use in the state and probably are illegal (*BI*, April 28).

Under a cash-flow plan, the policyholder deposits a minimal percentage of the annual premium and then pays the rest as losses occur.

The bulletin did not deal with the status of existing plans. A spokesman at the board said he did not think the ruling was intended to disturb current insurance policies.

The board's letter dated Aug. 22 started arriving at insurance companies around the country last Tuesday. Several company officials said they had received the notice, but had not had a chance to study its implications.

However, one top executive of a Texas-based company observed that "if they're serious, they'll cite somebody—if not, it will just go away."

The board has made no immediate plans to carry out its threat of "disciplinary action" against agents or insurers who continue to write cash-flow plans, said Willis McVey, chief casualty actuary.

But the board does not intend to let the issue fade away. "We want to bring this thing to a head in order to put all insurance companies on equal footing," Mr. McVey said.

He said the department's study of paid-loss retrospectively rated and other cash-flow plans for workers compensation, general liability and automobile risks was initiated partly in response to requests by insurers that don't write such contracts. "They complained of losing choice business to competitors who do offer such plans," Mr. McVey said.

After calling a moratorium on

Continued on page 28

Panel passes pension tax break

By JERRY GEISEL

WASHINGTON—A Senate panel again wants to give tax breaks for employes' pension plan contributions, but the Treasury Department is against it.

The Senate Finance Committee has approved legislation that would allow plan participants to deduct annually up to $1,000 or 15% of compensation, whichever is less. Or the employe can set up an Individual Retirement Account within these limits even if he is covered by a corporate plan.

Employe pension plan contributions are not tax deductible now, and an employe covered under a corporate retirement plan may not set up an IRA.

The legislation, proposed by Sen. Robert Dole (R-Kan.), would limit deductions for mandatory contributions to $100. A deduction would not be allowed for individuals who own more than 10% of the company maintaining the plan.

The pension proposals, which were attached to a complicated tax cut bill, also would boost the contribution limit for an IRA used by persons not covered by a corporate pension plan. The annual individual limit would jump to $1,750 from $1,500 and to $2,000 from $1,750 for a spousal IRA, which covers a married couple.

The Treasury Department, which has successfully fought tax deductions for employes' pension plan contributions before, plans to block the current proposals.

"We are opposed to it," said Donald Lubick, assistant secretary of the Treasury. "Such contributions would only be given by the well-to-do."

Increasing the annual limits for IRA contributions "further undermines the private pension plan system," Mr. Lubick also said. Raising the IRA limit reduces the incentive to an employer to start a corporate retirement plan for employes, he added.

But pension experts salute the committee action. "We favor it," said George Pantos, an attorney with the ERISA Industry Committee, a benefits lobbying group representing large employers. "It (tax deductions for pension contributions) would stimulate capital formation and expand employes' resources for retirement."

"I'm elated that the Finance Com-

Continued on page 28

In Illinois

Tax ruling stalls exchange

CHICAGO—Determination to attract private capital to the Illinois Insurance Exchange is holding up its opening.

Potential investors worried about their tax status aren't putting money behind the exchange, leaving it without the two syndicates needed to open, said James Skelton, interim director of the Illinois Insurance Exchange.

Private investors are waiting for the Internal Revenue Service to rule on whether the exchange syndicates will be granted the same favorable tax treatment as insurance companies before they put their money behind the syndicates, Mr. Skelton says.

Insurance companies are allowed to deduct loss reserves from premium income to reduce their tax liability. No one knows if the IRS will qualify an insurance exchange syndicate—corporate or partnership—as an insurance company. The New York Insurance Exchange and individuals have asked the IRS to answer the questions, but no one can estimate when it will.

The Illinois exchange has touted its determination to build itself from private investment capital instead of diverting insurance company capital from normal underwriting channels.

Bringing new money into the insurance business was an original goal of a U.S.-style underwriting syndicate operation.

The New York Insurance Exchange is operating predominantly on insurance company capital. Since they are already granted favorable tax status, these insurers don't have to worry about the IRS position on privately capitalized syndicates.

Only about $4 million of the New York Insurance Exchange's $100 million in capital represents non-insurance company money, according to the exchange.

Illinois must have two syndicates ready to operate before the exchange can obtain the necessary certificate of authority from the state insurance department. So far only Chicago-based surplus lines Avreco Corp. has applied to form a syndicate. ■

New York exchange gears up for new risks

NEW YORK—The New York Insurance Exchange is preparing to write direct business in the 49 other states.

It is seeking status as an approved nonadmitted or surplus lines insurer, as well as reinsurer, in the other states, says exchange president Donald E. Reutershan.

If it has approved status, the exchange will be able to accept excess/surplus lines from these states once New York permits it to write direct U.S. business from outside New York. Its board of governors requested permission in a memorandum last week to insurance superintendent Albert B. Lewis.

Mr. Lewis has said he would introduce a regulation or seek legislation permitting the exchange to be a surplus lines insurer outside New York if the board of governors asked for the action (*BI*, Aug.18).

The exchange is not an approved surplus lines insurer in any state yet, but is an accepted reinsurer in Nebraska, North Carolina, Oregon, Vermont and Wyoming, Mr. Reutershan said. It can write reinsurance in 14 other states and the District of Columbia without regulatory approval, he added.

Being an approved surplus lines insurer differs from being an accepted reinsurer. Most states require surplus lines companies to file quarterly and annual statements and some states examine the surplus line insurer's capital base, Mr. Reutershan says.

At its Aug. 22 meeting, the exchange's board of governors approved Corroon & Black and Franco & Sons as associate members. This allows them to place business on the exchange solely on behalf of their own accounts.

Carter Burgess, deputy secretary of defense under President Dwight D. Eisenhower, joined the board as a public governor. He replaces Ian MacGregor, former chairman of AMAX Inc. ■

U.S. indemnifies China for losses of bronze artifacts

CHICAGO—Artifacts from the Great Bronze Age of China are priceless to the art community, but the U.S. government has put a $50 million price tag on them.

If anything happens to the exhibit of bronze artwork from China during its show at the Field Museum here or elsewhere on its 10-month, five-city U.S. tour, the federal government will pay the Chinese $50 million, minus a $15,000 deductible.

A similar policy provides the first $50 million of insurance on the Picasso retrospective that is winning critics' acclaim at the New York Museum of Modern Art (*BI*, June 2).

The federally funded Federal Council on Arts & Humanities provides the $50 million indemnity agreement, said Nick Maravell, special assistant to the director of the council.

The council insures foreign collections exhibited by nonprofit organizations in the United States to further cultural exchange with another nation and serve the national interest, he said.

The 15-year-old agency got into the insurance business for foreign art collections only about four years ago when international exchanges began gaining popularity, he said.

Security arrangements, however, are the responsibility of the host museums, said Mr. Maravell.

The exhibit, already shown at the Metropolitan Museum of Art in New York, is also slated for appearances in Fort Worth, Tex., Los Angeles and Boston.

—*John Maes*

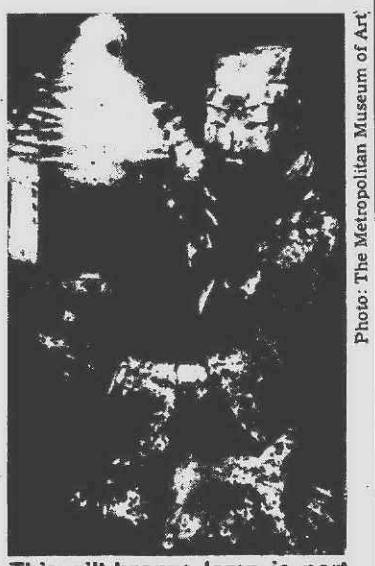


Photo: The Metropolitan Museum of Art

This gilt-bronze lamp is part of the China exhibit.

Combinations open Ryan to Hines

By KATHRYN J. McINTYRE

CHICAGO—The right combinations opened the doors for Harold H. Hines to leave Marsh & McLennan Inc. to join Ryan Insurance Group.

The president's post at Ryan will give Mr. Hines a chance to test his ideas on how to capitalize on the combination of underwriting and brokering under the same corporate umbrella.

The new job also will keep work and home in the same city for Mr. Hines, who has regularly commuted to M&M's New York headquarters since 1978.

And at Ryan, Mr. Hines will heighten the combination of personal and commercial insurance for the holding company with life and property/casualty underwriting operations, four insurance agencies and a new self-insurance services division.

Ties to Chicago and a growing sense of detachment from M&M set the stage for Mr. Hines' move to Ryan. He found it impossible to combine his commitment to living in Chicago with his commitment to the president's post he held at M&M beginning with 1978.

"I couldn't feel a part of any other city," Mr. Hines said in defending his decision not to move to New York for his job. Family roots spanning generations and civic ties spread among boards of numerous Chicago institutions bind him to Chicago.

But he also grew dissatisfied with the 1,500-mile round trip commute almost weekly to M&M's New York offices. The trips were too grueling and the results inadequate by his standards, he said.

In January, he became vice chairman of M&M as a transition to leaving the company, he said.

During an interview in his office atop the M&M building in Chicago, Mr. Hines also hinted at new developments at Ryan and described the problems of being removed from the corporate seat at M&M.

"Ryan has the potential to be a growing force in the commercial insurance business," he said.

With 1979 income of $117.3 million (net of reinsurance), Ryan brought in only a third of M&M Inc.'s 1979 revenues. But Ryan's growth has been explosive in the past five years, multiplying its 1975 income of $26.1 million more than four times.

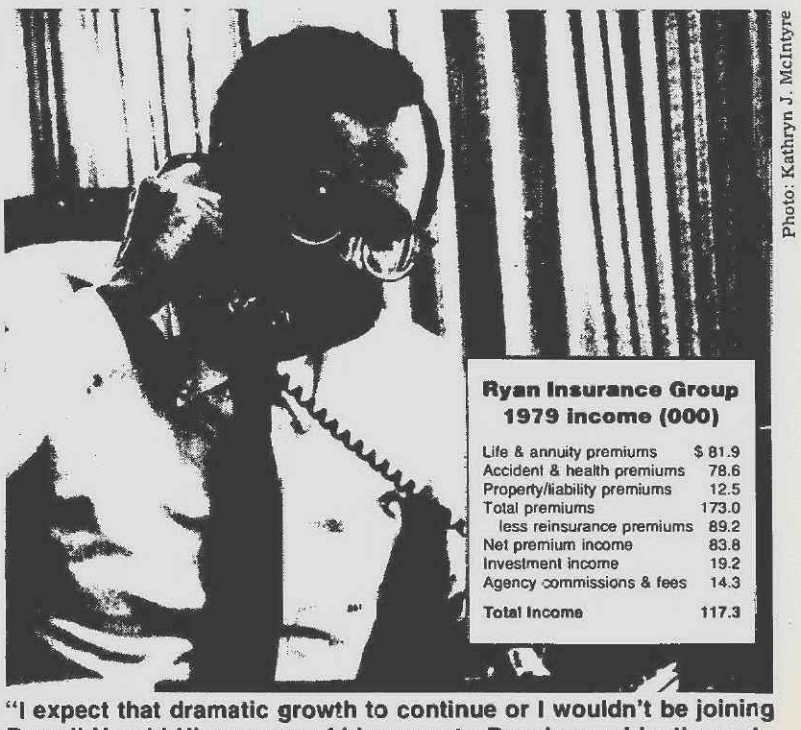
The growth reflects an almost fourfold increase in underwriting, entry into insurance broking and bigger investment yields. And now it includes a self-insurance services division.

"I expect that dramatic growth to continue or I wouldn't be joining Ryan," Mr. Hines said.

He predicts Ryan can parlay its presence among automobile dealers and banks into even bigger commercial insurance sales. Its presence in auto dealerships is through its highly successful and original business of selling auto credit life insurance. Its brokerage subsidiary Youngberg-Carlson of Chicago is well-known for brokering bankers blanket bonds.

These two specialities give Ryan

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Ryan Insurance Group 1979 income (000)

Life & annuity premiums	$ 81.9
Accident & health premiums	78.6
Property/liability premiums	12.5
Total premiums	173.0
less reinsurance premiums	89.2
Net premium income	83.8
Investment income	19.2
Agency commissions & fees	14.3
Total income	117.3

Photo: Kathryn J. McIntyre

"I expect that dramatic growth to continue or I wouldn't be joining Ryan," Harold Hines says of his move to Ryan's president's post.

ESOP may put railroad back on track

THE MILWAUKEE ROAD Railroad in Chicago has started an employe stock ownership plan to ease a severe cash-flow crisis.

The railroad will defer paying 10% of an employe's pay for the remainder of this year and 7% during 1981. The worker instead will be given the equivalent value in company preferred stock, a Milwaukee Road spokesman said.

The plan is mandatory for all 7,200 salaried and hourly-paid employes.

"Actually, the employes will get a little bonus because the stock will actually be worth 1.3 times the wages deferred," he said.

The plan is expected to release $1.8 million per month in payroll that can be used to help the ailing railroad meet other expenses.

The stock plan is a product of legislation passed by Congress last year governing restructuring of the Milwaukee Road. The legislation stipulated the company must consider the plan as a way to improve cash flow during the crisis.

Railroad officials will assess the plan during 1981 to see if it will be necessary to continue the wage deferral the following year, the spokesman said.

If the railroad successfully reorganizes into a profitable company, employes will be issued new stock in 1984, he said.

benefit beat

Bonus hours

Senior employes at six J.I. Case plants can accumulate as many as 220½ time-off bonus hours per year for perfect attendance under a new contract agreement with the United Auto Workers.

Employes of the Racine, Wis.-based company with one to 10 years of service can earn up to 110½ bonus hours and those with 10 to 20 years can accumulate 147.

Other benefit improvements include an increase in life insurance to $20,000 from $15,000 and an increase in payments for various vision care services and equipment to $30 for each ophthalmologist exam and $18 for each bifocal lens. These payments will increase each year of the three-year contract.

The maximum dental reimbursement will increase to $1,000 from $750 on Jan. 1, 1981. Lifetime orthodontia benefits will also jump to $800 from $750. Diagnostic orthodontic services will no longer fall into the lifetime maximum category. Instead, exams will become part of the regular dental coverage.

Also starting Jan. 1, employes will be eligible for benefits of $30 for an audiometric exam, $30 for hearing evaluation and up to $275 for a hearing aid. Retirees and surviving spouses are also eligible.

J.I. Case pays 100% of the premium to Metropolitan Life to insure its 7,700 production and maintenance employes in Illinois, Wisconsin, Iowa and Indiana. Some portions of the benefit package are contracted with local practitioners.

The cost of the benefit contract was not available.

Retirement plans

The Travelers Insurance Cos. is the latest corporation to help its employes ease their way into retirement.

Pilot retirement planning programs to be initiated this month at The Travelers' Hartford home office and a yet-undetermined field office will explore lifestyle planning, financial planning, health, interpersonal relationships, community services, living arrangements, leisure activities and new careers in retirement.

The 10-session program developed by the National Council on Aging will include lectures, slide shows, discussions and planning sessions. Any employe may sign up for the program, but those 55 and older will have priority, a Travelers spokeswoman said.

The company may develop other programs for older Americans outside the company based on results of the pilot plan.

Dental program

Tenneco Inc. of Houston has selected Connecticut General Life Insurance Co. to administer a new dental program for 24,000 salaried employes and their dependents.

The employer-paid dental plan has five parts: preventive care, 100% covered with no deductible; diagnostic and restorative care, 80% covered after a $50 yearly deductible per person or a $150 deductible per family; reconstructive work, 50% covered after a $50 yearly deductible per person or $150 per family; orthodontia, 50% covered with no deductible, and oral surgery, 80% covered with no deductible.

Payments for preventive, diagnostic, restorative and reconstructive care is limited to $750 a year per person. Orthodontia carries a $750 lifetime maximum per person and oral surgery coverage is unlimited.

The new plan became effective Aug. 1 and covers dental expenses incurred on or after May 1. The time lag between the claims applicability date and the initiation of the plan gave Tenneco time to inform employes about the new coverage and establish the administrative framework, a CG spokesman said.

The annual cost of the new plan to Tenneco is not available, said Joe Borden, benefit supervisor at the company.

Electronics plans

California electronics companies continue to increase their benefit offerings to compete for employes and meet changing worker needs, according to a survey by the Electronics Assn. of California.

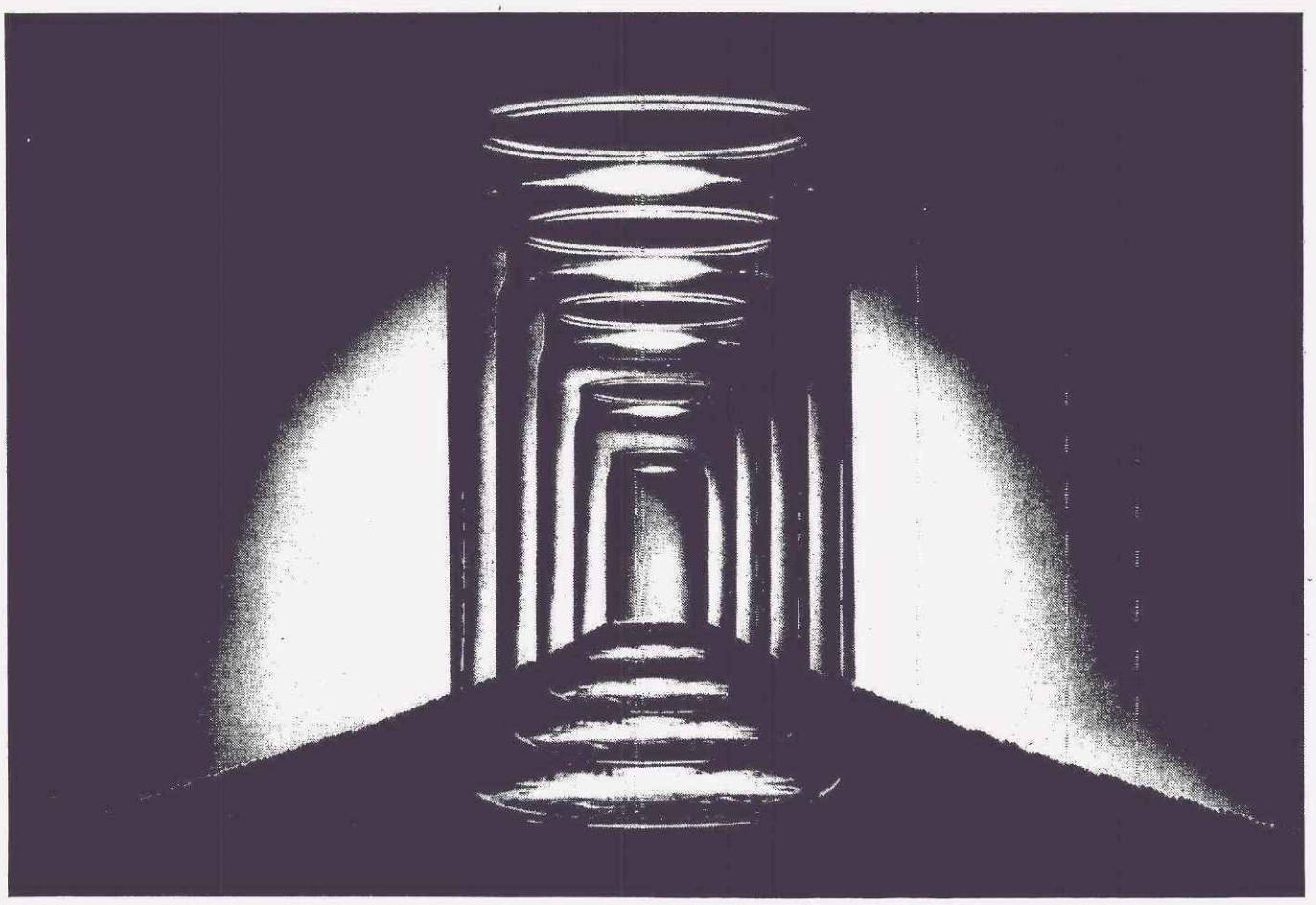
Respondents included 77 firms with fewer than 100 employes, 71 with 101 to 499 employes and 32 with 500 to 3,800 employes.

The survey found more than 90% of the companies responding now have dental plans, about 60% offer group legal assistance and nearly 75% provide medical insurance coverage for their part-time employes.

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Benefit beat keeps insurance and employe benefit managers up-to-date on what other companies are doing and informed of current developments in the employe benefit field. We'd like to know if you've made any changes. Write Valerie Berg, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611 or call 312-649-5430.

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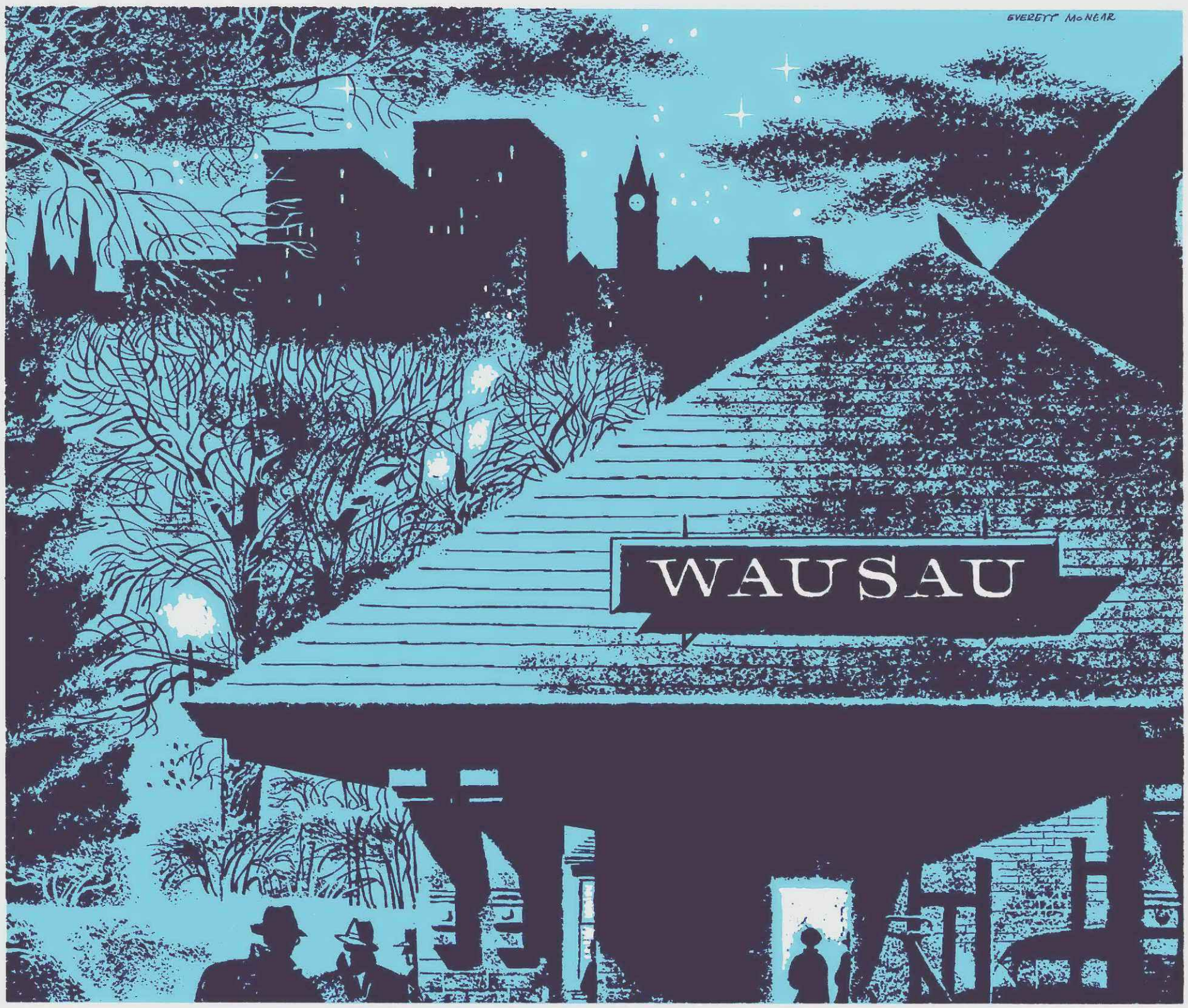
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editorial opinions

Unwanted efforts

EVEN IN THESE dog days of summer, regulators insist on working up a sweat producing new rules and restrictions no one wants or needs.

In Washington, the Internal Revenue Service is proposing that employes need a voice in the administration of tax-sheltered trusts used by employers to self-fund benefit plans.

In New York, insurance superintendent Albert B. Lewis wants to impose stricter regulations on the surplus lines market.

We'd prefer to see the regulators relaxing under a shade tree rather than working so hard on these new rules.

To anyone who has tried to get an employe excited about company-paid benefit plans, the idea of getting him involved in their administration seems inconceivable. It takes reams of reports, clever messages and lots of effort to just grab the employe's attention to a benefit plan until he or she needs it.

The IRS's suggestion that employes need to be involved in administering a 501 (c)(9) trust not only incorrectly assumes they care about the administration of the trust but also ignores the adequacy of current recourse against improper trust administration.

The Employe Retirement Income Security Act provides all the protection employes need to be assured their promised benefits are delivered.

Meanwhile, in New York, Mr. Lewis is drawing ammunition for his fight to gain more control over the surplus lines market from a state senate panel report that concluded it's easier to place a risk with a surplus lines insurer than with New York's bold experiment in syndicate underwriting—the New York Insurance Exchange.

Leave it to a regulator that when given the choice between loosening regulation in one area or tightening it in another to achieve equality, he will choose to tighten regulation.

Only 1½ of the proposed amendments to New York's Regulation 41 seem to fairly balance buyer-protection and the interests of a freer insurance market.

We don't quarrel with increasing the trust fund requirement on non-U.S. insurers to $1.5 million from $300,000. And we think requiring surplus lines insurers to annually file their premium volume with the state will provide buyers with another source of information on an insurer.

We don't, however, endorse a requirement that surplus lines insurers have a three-year history before they can underwrite New York risks. That may be one measure a buyer will want to use in assessing the stability of a market, but to mandate it discriminates against new insurance enterprises.

And we don't see a need for the remaining proposals, such as forcing E/S brokers to buy errors and omissions insurance from the admitted market. Has the New York insurance department found an adequate market to provide the coverage? Many agents say it doesn't exist.

Requiring brokers to reveal if they tried to place the risk in the Free Trade Zone seems to be an underhanded way of bullying them into using that market.

Forcing non-New York surplus lines insurers to maintain $750,000 trust funds sounds like a sure way to drive them out of New York and limit New York buyers' access to the market.

Requiring admitted insurers to help police the surplus lines market by maintaining five-year logs of rejected risks is an unfair burden on them, although they might find it in their best interest to help the insurance department.

We're also unconvinced that a counterproposal by some experts to create a guaranty fund is the answer. That will hike the cost of surplus lines insurance.

The Risk & Insurance Management Society is on record opposing most of the new amendments. When the professional insurance consumer finds this additional protection unnecessary, we don't see why the insurance department wants to force it on him or her.

There is some concern that less sophisticated insurance buyers could be duped into buying insurance from ill-financed markets, but until we see a pattern of abuse that can't be rectified by insurance department recoveries or civil suits against the culprits, we can't support reining in everyone.

In addition to pushing regulators to reveal the cost of their proposals, it seems we now need to ask them to prove someone wants their new protection.

letters

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible and we reserve the right to edit or shorten letters for clarity or space. Please send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

More on water weapons

To the editor: The article "Water weapon returns again" (*BI*, Aug. 11) quite correctly points out that automatic sprinkler protection is a feasible way of protecting computer rooms. While some of my fellow fire protection engineers have shied away from this type of system in the past, others, including myself, have felt that sprinkler protection provides the most feasible protection method, if installed and designed properly.

My concern is that Leonard I. Krauss, who is quoted in the article as recommending dry pipe sprinkler systems with high temperature fuses, may cause the uninitiated to contract for simply a dry sprinkler system.

The system Mr. Krauss is referring to is known as a "pre-action" system. This system uses a normally closed main control valve which is actuated by smoke and/or heat detectors. The sprinkler piping contains closed sprinkler heads connected to piping fille with air. (In this sense the syster is "dry".) Thus sprinkler heads wi receive water only upon detectio of the fire by the smoke and/or hea detectors. Similarly water will b discharged over the fire as th sprinkler in that area would oper ate. This type of system eliminate the problem of the maintenanc person with a ladder knocking of a sprinkler head and flooding th computer. If mechanical damag occurs to the sprinkler head or pip ing, the loss of air in the pipin would sound an alarm.

To those readers wanting to pro perly protect their compute rooms, I strongly recommend th pre-action system as describe above. Use of a dry pipe sprinkle system by itself does not preclud the mechanical damages problem

Paul G. Maso
Assitant v
M&M Protection Consultant
New York, N.Y

Understandable error

To the editor: As brokers active in the London market for North American insurance and reinsurance business, we read the July 28 issue with particular interest.

It was extremely informative regarding the major North American brokers and, in addition, included information regarding their London correspondents. In this issue, you included comments regarding major Canadian brokers including our own friends and major correspondents, Tomenson Saunders Whitehead Ltd. We have, of course, transacted business with this firm for many years and we are, I think, certainly still their major contact in London. They do, as you correctly remark, also have a relationship with Bain Dawes here and possibly with certain other London brokers.

It was with some dismay, however, that we saw ourselves described as "Houston Devitt." We realize that the names of many London brokers are confusing internationally, containing, as they do, many obscure Christian names bestowed on their hapless offspring by Victorian founding fathers. With this in mind, it is our intention shortly to simplify the name of our group in order to avoid understandable errors such as that which occurred in your recent issue.

I do not really think that this minor erratum is worthy of correction in a subsequent issue but we should be most grateful if you could ensure that it does not occu again.

Michael Barlow
Managing directo
Howson Devit
(North America) Ltd
Londo

■ *We will certainly report on an change in your corporate name. I the meantime, we print this lette to set the record straight.*

NAIB support

To the editor: We believe you editorial advising the insurance industry to "Jump off the fence" (July 21) with respect to the Risk Retention Act is correct.

In fact, the National Assn. of Insurance Brokers was among the first to support the Senate staff's working draft of the Risk Retention Act. While there remain a few technical clarifications which we believe are necessary, we have endorsed the major provisions.

As our statement to Sen. (Howard) Cannon points out:

"The risk retention group and group purchasing arrangements, as envisioned by this legislation, will be additions to the many options for brokers to consider for their clients."

Beth Karvetz
Counsel
Director of government relations
National Assn. of Insurance
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Labor Secretary defends probe of Teamster fund

WASHINGTON—The Labor Department denies government charges that it bungled its five-year-old investigation of the scandal-tinged Central States Teamsters Pension Fund.

Secretary of Labor Ray Marshall disputed charges by the General Accounting Office that the investigation of the massive multiemployer pension plan has floundered because of Labor Department incompetence.

"We have achieved a massive change in the way the Central States Pension Fund conducts its business," Mr. Marshall said. "The retirement benefits of its members are safe, and the full authority of the government is directed toward continuing this protection and recovering money that has been lost in the past."

As a result of the Labor Department investigations and threats of government takeover of the fund and loss of its tax-exempt status, changes were made in the makeup of the fund board. Sixteen Teamster and trucking industry trustees resigned, and a new 10-member board was appointed.

The GAO, however, says the new board is still influenced by corrupt persons.

The congressional watchdog agency last week told a Senate subcommittee in a 71-page report that the Labor Department investigation is poorly conceived and carried out.

The government has "failed to gain lasting reforms and improvements in the fund's operations," comptroller general Elmer Staats, who heads the GAO, told the Senate investigations subcommittee.

Some subcommittee members are so disturbed by the charges that they are considering removing the department from the investigation of the $2.2 billion fund.

"The ultimate question is whether the Labor Department is institutionally capable of protecting the workers of this country under their pension plans," said subcommittee chairman Sam Nunn (D-Ga.).

Some legislators are considering removing Labor from the probe.

Shortcomings in the investigation of the 500,000-member fund cited by the GAO include:

- Accepting the Teamsters' offer of voluntary cooperation to release information rather than using its administrative subpoena powers under ERISA. Despite the promise, the fund did not supply the Labor Department with all the records it sought, Mr. Staats said.
- Narrowly focusing on questionable real estate deals and ignoring "other areas of alleged abuse and mismanagement by former fund trustees."
- Failing to fully staff a special Teamsters investigation unit. Although Congress authorized the establishment of a 45-member investigation staff, the department never filled all the positions.

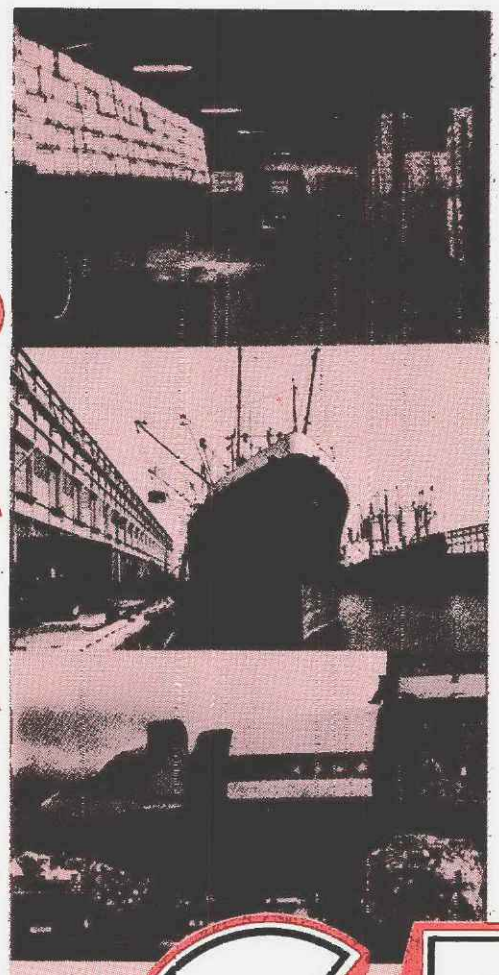
Political considerations might have stopped the investigation of one alleged fund abuse, a former Labor Department attorney told the subcommittee.

It involved the 1976 deposit of Teamsters fund money in the National Bank of Georgia where Bert Lance, the former director of the Office of Management and Budget, was an officer, said Lloyd Ryan.

A strong case could have been made that the fund trustees violated ERISA by accepting a low rate of return on the $17.5 million deposit with the bank, he said.

However, the investigation was never conducted because of a lack of staff and a failure to receive authority from senior Labor Department officials, Mr. Ryan said. ■

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Church names Kutta, Simeone risk managers

J. THOMAS KUTTA and **Peter T. Simeone** have been named risk managers for Gencon Risk Management Service in Tacoma Park, Md., the insurance and risk management arm of the Seventh-day Adventist Church. Mr. Kutta, who replaces **John P. Trimarchi,** will be responsible for church-owned property in Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina and Tennessee. Before accepting this position, he was a special agent/broker for Sentry Insurance and has also worked for John Hancock. He has a bachelor of arts degree from Columbia Union College in Tacoma Park. Mr. Simeone, who replaces **Gerald L. Foxworthy,** will control insurance coverages and risk management for church assets in Kansas, Missouri, Nebraska, Wyoming, Iowa, Minnesota, North Dakota, South Dakota and Canadian provinces Manitoba and Saskatchewan. He has a master's degree in business administration from Andrews University in Berrien Springs, Mich. Mr. Trimarchi and Mr. Foxworth are now handling the hospital risk management for the denomination.

* * *

Howard Allweiss, 41, has been named to the newly created position of manager of benefit planning and administration at Revlon Inc. in New York. Mr. Allweiss joins the company from Union Camp Corp. in Wayne, N.J., where **Craig P. Nelson** has replaced him. Mr. Allweiss reports to Richard J. Byrnes, director of benefits and compensation.

* * *

Dennis Hume, 37, has been named risk manager for Fresno Unified School District in Fresno, Calif., to replace **John Grotts,** who joined Clorox Inc., as reported. Mr. Hume, who reports to Robert Diebert, director of financial services, has 15 years of personnel and risk management experience. He was risk management analyst for the school district before his promotion. That position has been eliminated.

* * *

The city of Phoenix, Arix., has named **Charles E. Greer,** 50, risk management administrator to replace **Sam Reynolds,** who is now risk manager for Maricopa County, Ariz., as reported. Mr. Greer, who reports to finance director Alex Cordova, was previously insurance and risk manager for Brigham Young University in Provo, Utah, for eight years. A replacement for him has not been named yet. Mr. Greer has a bachelor of science degree from the University of Utah, a law degree from LaSalle University and an associate degree in claims administration from the Insurance Institute of America.

* * *

Virginia Tormey has joined Alexander & Baldwin Inc. as director of risk and insurance. Ms. Tormey will be responsible for risk management and insurance activities at A&B and its subsidiaries and will be based in San Francisco, where she reports to R. Gordon Jamieson, vp and treasurer. Ms. Tormey has a degree in political science and economics from Wilson College in Pennsylvania and was assistant to the international risk manager at Syntex Corp. for four years before joining Memorex Corp. as corporate risk manager. She has been active in RIMS.

•

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RIMS opposes E/S regulation change

NEW YORK—Revisions to a New York regulation governing excess/surplus lines would make access to the nonadmitted market more difficult, increase the cost of coverage and drive businesses out of the state, the Risk & Insurance Management Society contends.

"The currently proposed revision of Regulation 41, regulating use of the excess and surplus markets, should have been designed to reduce the inequities between access of (New York Insurance) Exchange market and the excess/surplus market," RIMS vp of government affairs Edith F. Lichota stated in a telegram sent last month to Gov. Hugh L. Carey and insurance superintendent Albert B. Lewis.

"Instead of facilitating the use of the exchange, it would make use of the excess/surplus market more difficult and would reduce competition, reduce capacity, impair the excess/surplus markets that commercial buyers rely on and force prices up for these buyers.

"By 'trapping' placements in the New York admitted market, it can only force more business out of this state instead of attracting it in."

RIMS, which did not testify at an Aug. 13 public hearing on the regulation, objects to provisions forcing brokers to state on affidavits whether a risk was submitted to the New York Free Trade Zone, requiring insurers to log business they decline, increasing the "seasoning" period for excess/surplus insurers to three years from one year and mandating errors and omissions insurance for excess/surplus brokers and separate trust funds for the benefit of New York policyholders.

Limit waived

HELENA—A worker who was injured on the job more than two years ago may file a claim for workers compensation despite a one-year statute of limitations, the Montana supreme court has ruled.

The court agreed there was adequate reason for the state workers compensation division to waive the one-year rule in the case of Lester Pinion, an iron worker who hurt his knee in an on-the-job accident in May 1978.

Mr. Pinion testified that for the next 13 months he thought his sore knee would heal by itself and did not seek medical attention. Later, an orthopedic surgeon said he needed surgery, which was performed. Mr. Pinion then filed for disability benefits.

The workers compensation division agreed to accept the claim under a Montana law that allows up to an additional two years for filing when workers show they did not know they had been disabled.

The decision was appealed, unsuccessfully, by the H.C. Smith Construction Co. of Newport Beach, Calif., and its insurance company, Argonaut Insurance.

Insurers fined

TALLAHASSEE—Three insurance companies have been fined $5,000 each by the Florida insurance department for alleged violations of Florida law.

The companies are:

- Travelers Indemnity of America, which allegedly failed to submit three general liability policy forms to the insurance department for approval before they were put into use.
- The Travelers Indemnity Co. of Rhode Island, which allegedly made excessive errors on commercial fire policy forms and failed to submit general liability policies to the department for approval.

around the states

- The Travelers Indemnity Co., which allegedly made excessive errors on its commercial auto and fire insurance policies and failed to submit general liability policy forms for department approval.

Premium hike

HARTFORD—Thirty-three member hospitals of the Connecticut Hospital Assn. will pay an average 40% more for malpractice insurance from Aetna Life & Casualty Co.

The rate increase, effective Oct. 1, results from increased claims severity and frequency, according to Aetna. In the past year the average claim cost increased about 16% while frequency increased 37%.

Aetna has established a new patient injury prevention program to hold off even higher premiums. Under the program, medical experts will analyze all malpractice claims and recommend solutions to problems. Hospitals not participating in the program will pay about 55% more for premiums.

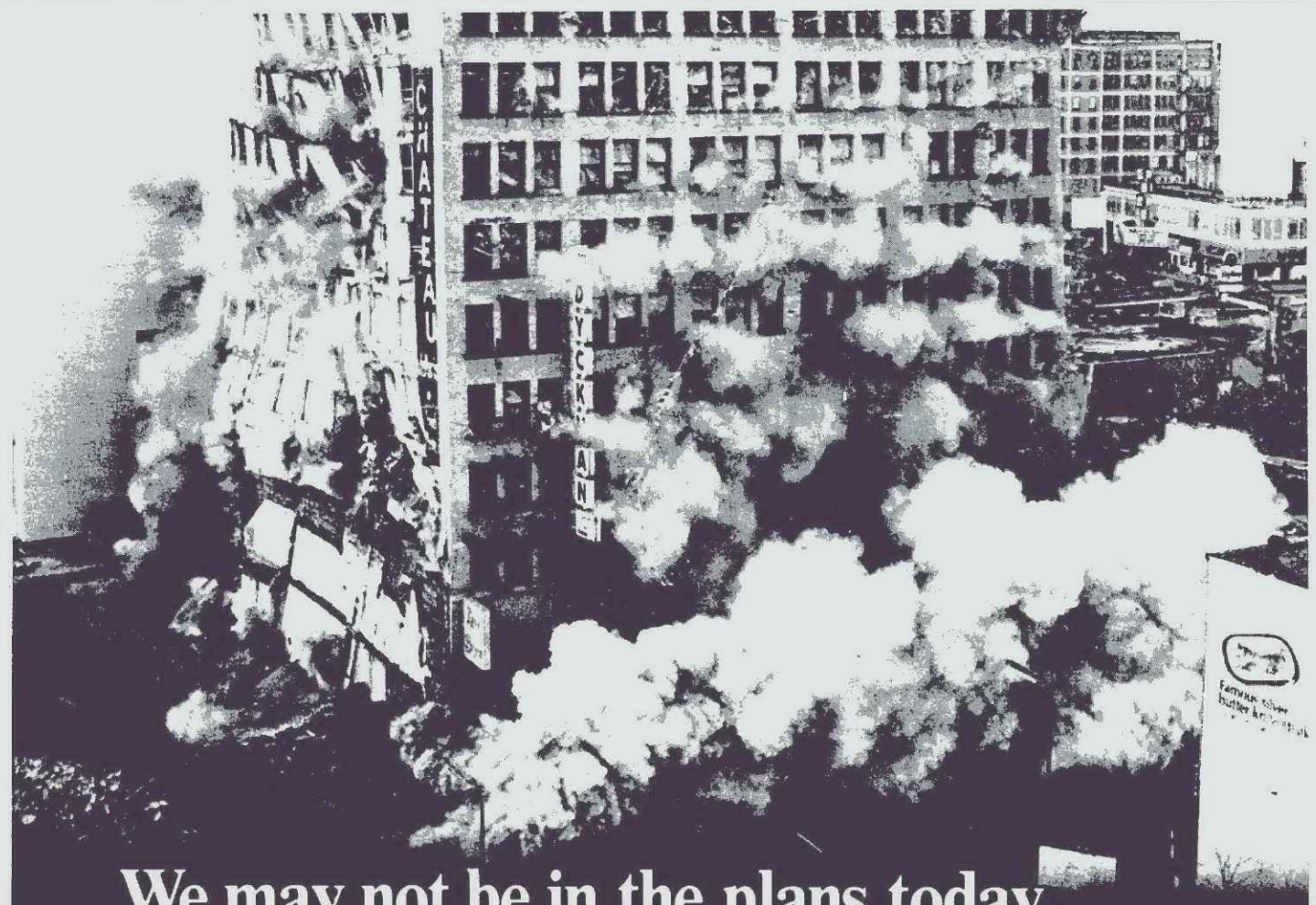
Arson law

HARRISBURG—Pennsylvania Gov. Dick Thornburgh has signed legislation that will help law and fire officials uncover and deter arson-for-profit schemes.

H.B. 1106 requires insurers to notify law enforcement agencies of suspicious fires and allows them to provide investigators and prosecutors with insurance information

The bill requires insurers to release to law enforcement agencies all requested information and material, including policy application, premium records, previous claims and other evidence obtained by the company ▪

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House approves ban on federal abortion cover

WASHINGTON—Federal employes would lose health insurance coverage for abortions under an amendment passed by the House of Representatives.

The amendment, proposed by Rep. John Ashbrook (R-Ohio) and tacked onto an appropriations bill by a 228-170 vote, bars federal group health insurance plans from covering abortion.

The amendment has to be approved by the Senate. It traditionally has been more reluctant than the House to restrict the abortion rights of women.

The health coverage restriction could force federal employes and their dependents to spend at least $10 million annually to pay for abortions now covered under their group health insurance plans.

Last year, about 20,000 abortions were performed under federal employe health programs. In 1978, the average abortion claim under the Blue Cross/Blue Shield government group plan was $488. Because of rising medical costs, the average claim this year probably will top $550, says Edwin Hustead, chief actuary of the Office of Personnel Management.

The Ashbrook amendment triggered an emotional debate on the House floor.

"If we deny federally subsidized abortions for poor women . . . let us do it for . . . government employes as well," said Rep. Henry Hyde (R-Ill.), author of a law that restricts federal funding for abortion under Medicaid.

But Rep. Gladys Spellman (D-Md.) said the amendment would wipe out all abortions, even those ruled necessary to save a woman's life.

"Can you imaging saying to people that because they work for the federal government, they may not use their own money to save their own lives?" she argued.

About $4.1 billion in premiums were paid last year to the 105 federal government's insurance plans. The government kicks in about 60% of the premiums, or about $2.5 billion. Employes pay the rest.

"This amendment would transform the fundamental purpose of the health benefit program from one which is supposed to benefit the employe who pays for the plan to one which is being ordered to serve one group's perception of what is best for society," said Rep. Patricia Schroeder (D-Colo.).

"I submit that this change in the theory of the health benefit program is profound," she added.

The National Abortion Rights League says adoption of the amendment would deprive "a staggering number of women" access to abortion as "an affordable health option."

Female federal employes already are calling the abortion rights league to find out what they can do to fight the amendment, said Suellen Lowry, legislative director.

The amendment also would bar federal funds to pay government administrative costs for any insurance program offering abortion coverage.

Some federal health insurance plans, such as BC/BS, which covers 1.8 million employes, pay 100% of all abortion expenses. Other plans only pay for medically necessary abortions.

The federal health insurance program has about 10 million participants, including 440,000 female employes under age 40. This is the age group most likely to have abortions. ■

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Measure would bar faster vesting rule

By JERRY GEISEL

washington

WASHINGTON— The House approved an amendment barring the Internal Revenue Service from imposing its controversial faster pension vesting requirements.

Proposed by Rep. John Erlenborn (R-Ill.) and tacked on to an appropriations measure by a 310-87 vote, the amendment prohibits the IRS from requiring companies to vest pension benefits faster than the 4-40 schedule, the most rapid vesting now required under ERISA.

Under 4-40 vesting, which is used mainly by smaller firms, pension plan participants must be 40% vested by their fourth year of service.

The IRS, though, wanted to remove 4-40 as a safe harbor. Regardless of the vesting schedule a company adopted, the agency wanted to test the plan to see whether enough low-compensated employes were vesting before it would grant a favorable tax qualification.

The proposed regulations, which triggered a howl of protest from the pension community, "are particularly offensive since the Congress intended to reserve to itself the authority to require more stringent vesting standards," Rep. Erlenborn said.

The appropriations bill, with the Erlenborn amendment, now goes to the Senate Budget Committee.

Pension hearings

The President's Commission on Pension Policy will hold public hearings next week on two vital and troublesome pension issues.

The first hearing on Sept. 8 will reopen debate on the role of pensions in collective bargaining. The second hearing, to be held Sept. 12, will probe the relationship of pensions and tax policy.

Both hearings will begin at 10 a.m. at the New Executive Office Building, 726 Jackson Place, Room 2010. Jackson Place is across the street from the White House.

Social Security

The National Commission on Social Security will hold public hearings Sept. 12-13 to discuss tentative recommendations for revamping the huge public retirement system.

Those recommendations include taxing Social Security benefits as income for the first time (*BI*, Dec. 24, 1979).

The hearings will begin at 9 a.m. in the Washington Hilton Hotel, 1990 Connecticut Ave.

ERISA violation

A North Carolina bank and three officials of an employe stock ownership plan violated ERISA by forcing the ESOP to pay too much for the company stock, the Labor Department says.

The Labor Department suit says Wachovia Bank & Trust Co., trustee for Rex Plastics Inc. of Thomasville, N.C., and three members of the plan's administrative committee violated ERISA by permitting the ESOP to purchase Rex Plastics stock at a greatly inflated price.

An ESOP is an employe benefit plan under which a company provides employes with ownership interest in their company. Under ERISA, an employe stock ownership plan can only purchase employer stock at a price favorable to the plan.

The plan purchased the stock from James W. Johnson, president of Rex Plastics, Mr. Johnson is charged with knowingly allowing plan officials to violate ERISA when he sold his stock to the plan at the inflated price.

The suit asks that an independent fiduciary be appointed to administer the plan and manage its assets.

Baggage liability

The Civil Aeronautics Board wants to increase the liability of airlines for lost, damaged or delayed baggage.

New CAB-proposed regulations would boost airlines' baggage liability to $1,000 a passenger from $750.

The CAB also wants to extend the same passenger baggage liability rules to commuter airlines on routes that connect with major airlines.

The last time the CAB increased airlines' baggage liability was in 1977, when liability was boosted to the current $750 per passenger from the old $500 limit.

CAB says the increase is needed because of inflation.

Carrier liability

The fight against deregulation of carrier liability has only just begun, says William Augello, executive director and general counsel of Shippers National Freight Claims Council.

While carrier liability was kept intact in the truck deregulation bill President Carter signed July 1, insurance may be deregulated by other state and national transportation bills.

The Rail Act of 1980, passed by the House of Representatives and now before the Senate, would permit railroads to introduce a deductible clause in their bill of lading.

"This has never been a legal principle in the law of bailments," Mr. Augello said. "A deductible is a license to steal" because pilferage will not be reimbursed, he says.

And while national regulation is becoming a thing of the past, states are also looking to remove intrastate regulation from their books (*BI*, June 30).

Facial injuries

Most workers who receive facial injuries are not wearing face protection masks, the Labor Department says.

The most common facial injuries were cuts, fractures, broken teeth and bruises, the Labor Department found in a 1979 survey.

Most workers were injured while performing their usual jobs. Falling or flying blunt metal objects caused the typical face injury.

Free copies of the facial survey are available from the Office of Occupational Safety and Health Statistics, Bureau of Labor Statistics 200 Constitution Ave. N.W., Washington, D.C. 20210; 202-523-9236. ■

LOOK WHERE THE SMART MONEY IS IN HEALTH CARE COVERAGE.



Danger at sea

Insurers investigate iron ore blast risk

By JOHN H. MILLER

LONDON—Risk managers of steel-producing plants in the United States and Canada are expected to be consulted about a new iron ore product that has the potential to cause explosions while being shipped.

International protection and indemnity clubs here have set up a committee to investigate how extensively the new product will be used. The P&I clubs fear that seawater could leak into the cargo and release hazardous quantities of hydrogen, causing an explosion.

"We don't know yet which plants we will be contacting, as the inquiries are at an early stage, but we need to have more details about the product from places around the world," said a U.K. representative of the P&I clubs.

The product is known as "direct reduced iron ore pellets," or DRI for short. It is a refined form of iron ore that is produced by Sidbec Normines, in the St. Lawrence River area, and may have great potential advantages for the steel industry. Trial loads are being shipped to plants in Europe and other countries.

The product is itself quite safe and the only risk of damage at sea would arise from heavy storms. But if bulk carriers make frequent journeys across the Atlantic with it, exposure to risk will be greater.

london line

AIRMIC chairman

Tony P. Benson of Guinness Group has been named chairman of the Assn. of Insurance & Risk Managers in Industry & Commerce for 1980-81.

Vote on changes

Lloyd's is planning a meeting of its 18,550 members this fall to consider the Fisher Report's proposals for changing Lloyd's structure. No date has been set.

Three-fourths of the members must vote for the changes before a bill to enact them can be put before Parliament. Members who are unable to attend may cast their vote by proxy.

Lloyd's hopes to send the draft to Parliament by Nov. 27. ■

Nicaragua situation threatens, F&S says

worldwide

MANAGUA, Nicaragua—Companies doing business in this revolt-ridden Central American republic are likely to suffer a major loss within the next 18 months, according to a Frost & Sullivan political risk survey.

Painting a cloudy picture of the country's political future, the consultants say any company in business here has a 63% chance of experiencing a major loss over the next five years.

"Within the next five years, a leftist regime is clearly possible, with the business class expelled from the country and moderates in an inferior political position," the firm says.

The revolutionary Sandinista government, which overthrew the regime of President Anastasio Somoza last year, is now firmly entrenched in power, but factional differences may help maintain a balance of power for the time being.

One faction favors keeping social reform under control so foreign business will be attracted to the country while the other prefers a socialistic restructuring of the government and is disdainful of foreign investment, according to the consultants.

Broker watchdogs

SYDNEY, Australia—The Confederation of Insurance Brokers of Australia is forming a national watchdog committee to monitor the brokering profession and protect corporations from dishonest practices.

The organization said it is taking the steps because of the government's reluctance to regulate the profession.

The organization believed the move was necessary because of a proliferation of haphazard broker operations in Australia, said confederation president Stuart Leslie. At least 10 brokerages have folded in the last several months. ■

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Package and property

INA markets retail jewelers policies

INSURANCE CO. of North America will market two new retail jewelers policies nationwide. This step follows a nine-month test market period.

INA's jewelers package policy covers both liability and property; the jeweler's policy covers property only. Both offer more extensive coverage than the traditional jewelers block policy.

products & services

Gas masks

Two types of gas masks are available from Direct Safety Co. to protect workers against common industrial vapors and gases.

Chin-type masks accommodate canisters that screw directly into the connector on the faceplate to provide a more compact unit. Chest-type masks have a strong, flexible breathing tube that attaches to the canister, secured to the body with a chest and shoulder harness.

Both mask styles are available in a Tite-seal headgear or with a six-strap rubber head harness. Optional canisters may be ordered to protect against common vapors such as ammonia, organic vapors, acid gases, chlorine, fumes and mists, pesticide dusts, etc.

A complete selection of masks and respirators are featured in the company's catalog. For information, contact Direct Safety Co., 6005 Martway, Shawnee Mission, Kan. 66201.

Hospital malpractice

Hospital malpractice insurance including general liability coverage is now available exclusively in New York from Lawrence Excess Ltd.

Coverage is being underwritten by Guaranty National Insurance Co. of Denver. Umbrella and property coverages are being offered by Lawrence Excess.

For information, contact David Isenberg, vp-marketing, 8 Freer St., Lynbrook, N.Y. 11563; 212-961-8600.

Business package

The Illinois market will soon sample a new business insurance package policy introduced by The Continental Insurance Cos.

Continental Business Owners Xtra combines several unique features: single blanket property coverage for both building and personal property; comprehensive business income protection, and a $1 million liability limit.

Safety surface

A heavy-duty durable safety surface has been developed to help curb falls in slippery areas. Flex-Tred is available in strips, cleats and rolls in several colors.

Made with pressure-sensitive adhesive coating that bonds to any clean, dry surface, Flex-Tred can be installed quickly by removing the release paper from the bottom to expose the adhesive. The safety tread is then pressed into place.

Flex-Tred comes in standard sizes including: ¾×24 inches; 2×24 inches; 3×24 inches; 6×24 inches; 5½×5½ inches, and 3×36 inches. Each carton is packed with 50 pieces of one size. The company also has available 60-foot rolls in widths of 1, 2, 3, 4, 6, 12, 18 and 24 inches. Special die-cut shapes can be furnished for O.E.M. applications.

For more information, contact Wooster Products Inc., Foot of Spruce Street, Wooster, Ohio 44691; 216-264-2844. ■

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Communicators to receive awards for best efforts

CHICAGO—Awards for the best employe benefit communications efforts will be presented during the *Business Insurance* Communicating Employe Benefits Conference here Oct. 26-29.

Companies that found problem-solving techniques for communicating benefits will be honored at a dinner Oct. 28. Awards will be presented in five categories: booklets, personalized correspondence, audiovisuals, special projects and total communication program.

The conference begins on Sunday evening Oct. 26 with the film "Medi$ense," which will be discussed by Tylie Jones of Tylie Jones Communications. The film on health care costs is an example of how clear communications can translate a complex subject.

Kicking off the session on Monday will be Alan Siegel, president of Siegel & Gale Inc., who will explain techniques for simplifying the benefit message.

Concurrent sessions given in the morning and after lunch are:

- Designing benefit programs to benefit employes, with William J. O'Connor, executive vp of Source/Inc., and David A. Williams, president of Williams Communications.
- Pacing your message, with John G. Willard, acting relocations administrator for Rockwell International.
- Tools, tactics and timing, with Terry T. Toth, director of communication services at Buck Consultants Inc.

Monday's luncheon will feature entries to the *BI* competition.

CPC International's use of an imaginative benefits story will be explained after the afternoon sessions by Richard T. Whitman, a partner with Kwasha Lipton.

On Tuesday morning, Herbert Zeltner, group vp of Crain Communications, will lead the audience in judging the effectiveness of various programs.

Tuesday's luncheon features Thomas F. Masloski, director of communications for Source/Inc., examining the role of corporate advertising and public relations.

Kathy Groon, audiovisual training coordinator for Jewel Food Stores, begins the afternoon with an account of how Jewel's use of audiovisuals has affected claims.

Joseph Young, vp/manager of compensation and benefits for Bank of California, will demonstrate how to adapt communications to new employe needs.

Wednesday morning's program is on how and why to develop a total program, with Walter D. Legrow, director of personnel services for Control Data of Canada.

How to deal with the legal department will be revealed by Robert W. Ridley, partner with Forster, Gemmill & Farmer.

A registration fee of $385 includes admission to all sessions, materials, receptions, luncheons and the awards dinner. Hotel reservation forms listing preferred rates will be provided.

You may substitute the name of another person from the same company without penalty. A full refund is available if a cancellation is received in writing by Oct. 1. Persons canceling later will pay a $100 service charge.

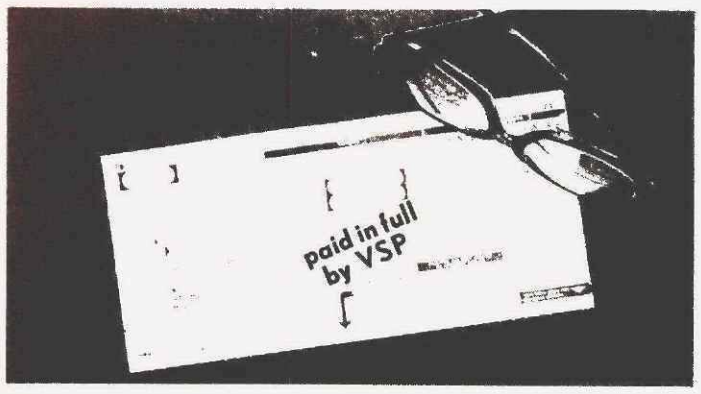
A 10% discount is offered for additional participants from a firm registered at the same time.

Make checks payable to Crain Educational Division. Send to Crain Educational Division, 740 N. Rush St., Chicago, Ill. 606.1. Phone toll-free at 800-621-6468; in Illinois, 312-649-5242. ■

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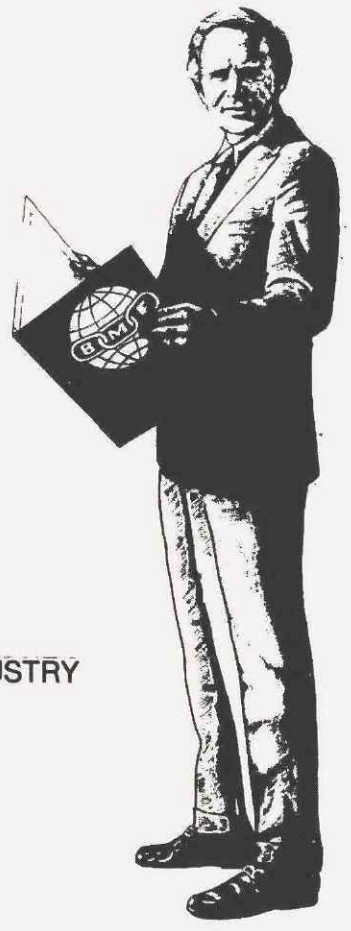
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J&H unit assists with communications

JOHNSON & HIGGINS has formed a new unit to handle employe communications consulting and production services for clients.

The Western Employe Communications Group, based in J&H's Los Angeles office, will assist with print, audiovisual and computer communications for clients served by J&H's Los Angeles, Denver, Honolulu, Phoenix, Portland, San Diego, San Francisco and Seattle offices.

Robert D. Lang has been appointed vp in charge of the new division.

New name

Commercial Union Insurance Cos. is the new name for the former Commercial Union Assurance Cos.

"Our former corporate name has been a source of confusion, particularly for the public, for whom the word 'assurance' has no insurance significance," said Lawson L. Swearingen, CU's president and chief executive.

The change does not affect the legal names of CU's operating companies, one of which is called Commercial Union Insurance Co. The name of the London-based parent, Commercial Union Assurance Co. Ltd., also remains unchanged.

Chilean divisions

American International Group has formed two new operating subsidiaries in Chile: Interamerica Compania de Seguros Generales, S.A., and Interamericana Compania de Segurosdes Vida, S.A.

AIG has been closely allied with the Chilean market through its American International Underwriters' Latin American division and American Life Insurance Co., said M.R. Greenberg, president and chief executive officer of AIG.

Dr. Raul de La Fuente, a Chilean attorney, has been named president of both Chilean subsidiaries.

Lab services

The environmental laboratory of Fireman's Fund Insurance Cos. in San Francisco has expanded its working space threefold, allowing the lab to increase its industrial hygiene analysis services for policyholders and others.

"We anticipate tripling our workload within the next four or five years," said Dr. Jerry Tuma, laboratory director. The lab currently averages 1,200 analyses a month, mostly air analysis. The lab will begin doing water analysis.

Besides performing analyses for policyholders, the lab offers its services to nonpolicyholders on a fee-for-service basis.

Exchange broker

Bell Nicholson Henderson (U.S.A.) Inc. has been elected an associate broker on the New York Insurance Exchange. The firm is a subsidiary of Bell Nicholson Henderson (Holdings) Ltd.

Bellefonte changes

Bellefonte Financial Corp. of Middletown, Ohio, has made several major changes in the organization of its insurance division.

The ownership of Bellefonte Underwriters Insurance Co. and Compass Insurance Co. is transferred to American Druggists Insurance Co., which was recently acquired by Armco Inc., Bellefonte's parent.

Warren T. Cunningham, president and chief executive officer of BFC's insurance division, now also becomes chairman of that division, as well as chairman of American Druggists, Bellefonte Underwriters and Compass. Gordon M. Barker, president of American Druggists, is appointed vice chairman of Bellefonte Underwriters and Compass.

markets

Higher limits

MGIC Indemnity Corp., the property/casualty arm of MGIC Investment Corp. of Milwaukee, is offering higher coverage limits for many of its insurance programs.

The company has raised the maximum limit available for its directors and officers liability coverage to $20 million from $15 million. The maximum coverage for mortgagee interest insurance has been increased to $5 million from $1 million.

"The frequency and dollar amount of losses is increasing," said Edward Norris, executive vp of MGIC Indemnity. "This necessitated increasing our present limits to provide additional coverage to those institutions desiring greater protection."

Management pact

Risk Treatment Services (Bermuda) Ltd. and Atlantic Security Ltd. have agreed that Atlantic Security will provide management services for Risk Treatment. Hal Forkush, principal officer of Atlantic Security, will assume the role of managing director of Risk Treatment.

Surety broker

Casey & Co. Insurance Brokers has been formed in San Francisco to offer surety and insurance services to construction and other clients. John J. Casey, Terrence T. Casey, William L. Guinan and Clifford E. Salwen, all formerly associated with Riedy & Casey Insurance in San Francisco, have opened the office at 369 Pine St.

Acquisitions

Equitable of Iowa Cos. has agreed in principle to acquire **Massachusetts Casualty Insurance Co.** for $200 per share in a combination of notes and cash.

Corroon & Black Corp. has completed its acquisition of **McWethy Brothers Inc.** in Aurora, Ill. The present management team of McWethy Brothers will continue to manage the business as a division of Corroon & Black of Illinois.

New offices

Mission Insurance Group has opened a new branch office at 9951 Atlantic Blvd., Suite 103, Jacksonville, Fla. 32211; 904-724-3422.

Buck Consultants Inc. has opened an office in the Diamond Shamrock Bldg., 717 N. Harwood St., Dallas, Tex. ■

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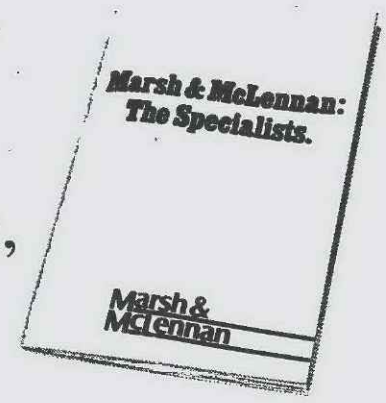
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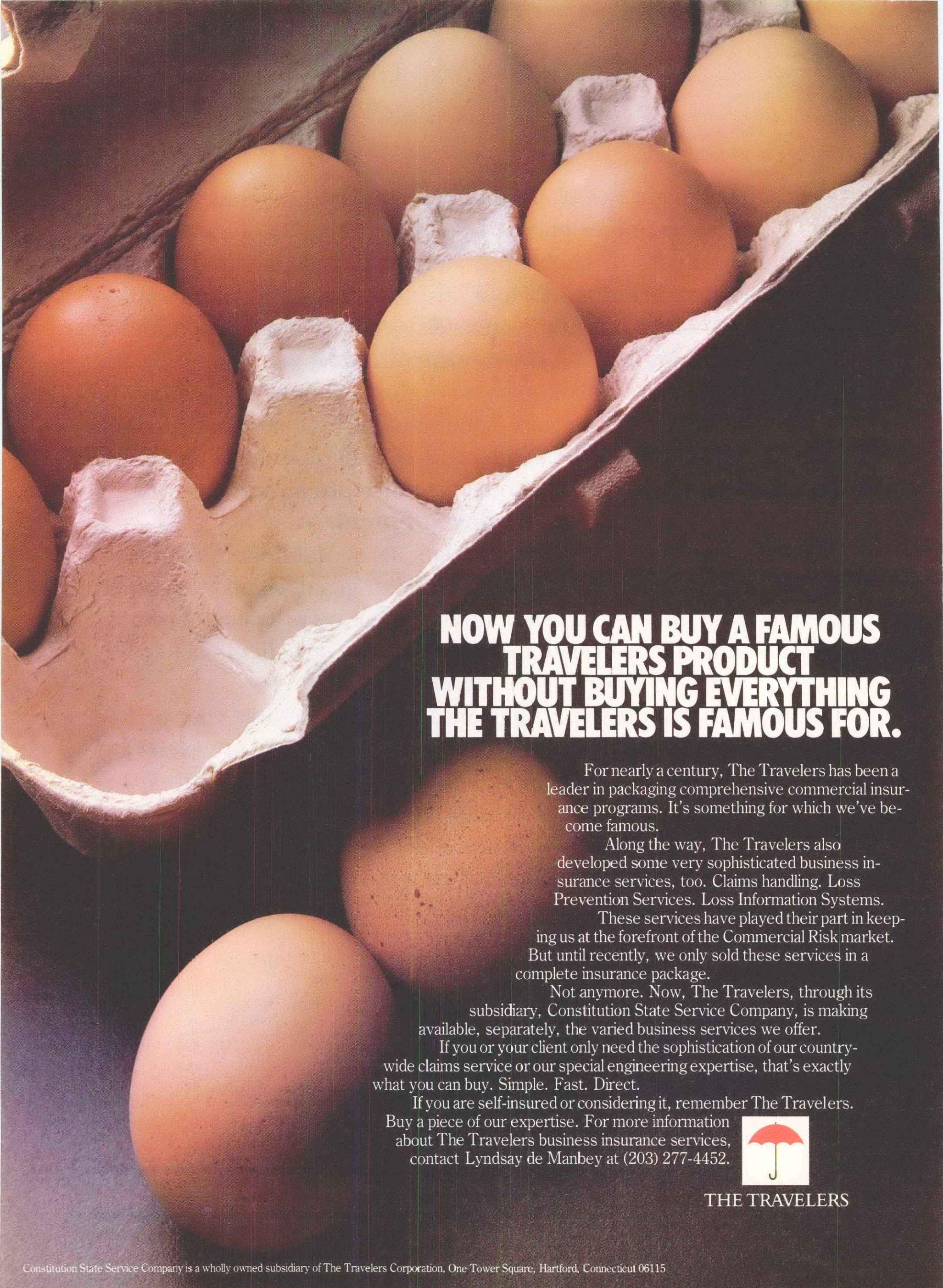
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perspective

Labor: Union bargaining gains set the standard for employe benefit packages everywhere

By Janis D. Froelich

WHEN TODAY'S factory workers punch a time card and begin the first day on the job, a cloak of benefits surrounds them and their families as long as they are employed.

But benefits such as life insurance, pensions and medical coverage didn't fall a worker's way overnight. Nor were they gifts from benevolent employers.

As the late United Auto Workers president Walter Reuther once said at a rubber workers convention, "Everything we got we had to fight for and sacrifice for, and anything that we got from them (corporations) out of the fullness of their hearts is so microscopic you can put it in your good right eye and it won't blur your vision in the slightest."

The labor movement is about people.

Unions are charged with the responsibility to deliver basic bread-and-butter issues to their memberships because, historically, the interest of business has not been to accommodate the economic needs of working people.

Unions have also set the standards for others in the work force because of the amount of coverage we have been able to negotiate through the years.

For example, salaried workers now also enjoy substantial benefits thanks to labor unions pounding the bargaining table and picket line on behalf of hourly employes.

Today, the United Rubber Workers has negotiated an employe benefit package with the major rubber companies that is considered one of the finest labor-industrial agreements in the United States.

Some of the provisions the URW won are: life insurance increased to $13,000 from $11,500; accidental death and dismemberment upped to $13,000 from $11,500, and death benefits for current and future retirees increased to $1,750 from $1,000.

URW International president Peter Bommarito said, "There is no doubt about it, union members look at the entire package when considering a contract. Gone are the days when wages are the only consideration.

"We now think in terms of contracts which cover the cradle-to-grave needs of our workers and their families."

In our highly mobile industrial society, workers no longer have close ties with large extended families. What this means in terms of dollars and cents is simply that good old Aunt Mary won't be around to move in with you when retirement rolls around. She probably moved to California and is running her own advertising agency.

So you had better have your own nest egg, plus provide adequate protection for your nuclear family if you aren't there because of sickness or death.

A union contract is the only way to guarantee, in writing, that coverage is yours. Negotiated benefits also mean an employer can't start snipping away at what you have already won unless there is a mutual agreement to do so.

Today's worker is better educated than ever before in the history of industrialized America. A wage/benefit package that doesn't grow with his or her needs 10, 20, 30 years from now will not be acceptable.

Collective bargaining has made a tremendous impact on the quality and quantity of benefits, and millions of Americans will be able to enjoy the harvest of their working life for this reason. ■

Janis D. Froelich is assistant public relations director for the United Rubber Workers union.



Photo: UAW

Benefits and their attendant costs have become major concerns of both labor and business in collective bargaining agreements.

Management: Businesses incorporate cost-containment provisions

By Jack K. Shelton

EMPLOYERS ALWAYS have been involved with health issues, based on concern for the work environment and the purchase and delivery of health benefits for employes. Beginning in the 1970s, this interest broadened and intensified in response to alarming health care cost trends and increased government regulation of the health system.

Between 1970 and 1979, aggregate U.S. health expenditures increased by an estimated 185%, significantly faster than inflation and real growth in the economy. As a result, health care as a percent of GNP increased to an estimated 9% from 7.6%.

While these trends are alarming, even more disturbing for business is the fact that employer health benefit costs have increased even faster because of benefit expansions and a reduction in employe premium sharing. Ford benefit costs for 1970-79 increased 240%.

Rising benefit costs have created significant incentives for business and labor to increase cost-containment efforts. In addition, federal and state regulatory efforts have raised the broader issue of the best approach for dealing with the problem, such as government regulation vs. voluntary private sector efforts. Businesses initially attempted not to get involved in this debate; now many realize it is unavoidable and that business has much at stake.

In response to these trends, Ford has expanded its cost-containment programs and increased its involvement in community efforts. Most of the programs have been initiated jointly with the United Auto Workers because it was learned very early that containing costs, while ensuring quality and access, is a common goal.

Company actions are governed by a philosophy that competition created by voluntary, private initiative offers the best opportunity for controlling costs in the long run. Although under limited circumstances interim government action may be necessary to prod the private sector, regulatory approaches should be minimal and designed to promote, not impede, private initiatives. When regulation is required, state action is preferred because it is more sensitive to local problems and solutions.

Consistent with this philosophy, Ford has taken three approaches to the health cost problem. The company promotes health financing changes designed to increase real market competition and create cost-containment incentives. It supports short-term programs designed to correct structural and utilization problems caused by inappropriate incentives in the health system. Finally, it promotes preventive health services to reduce the future demand for care.

The long-term solution to the problem, therefore, must deal with restructuring these incentives from cost-inducing to cost-containing behavior.

Because benefit programs contribute to the cost problem, Ford is incorporating new provisions to discourage unnecessary utilization. Examples include the introduction of copayments for new benefits, establishment of reimbursement policies to remove incentives for receipt of routine care in hospitals and creation of pilot programs to encourage the use of less-costly alternatives to inpatient care.

Through participation on insurance

Continued on next page

Jack K. Shelton is manager of the employe insurance department for Ford Motor Co.

speaking out

Dealing with drug use

Humanistic approach works best

By Cheryl Olson

THE "tough stance" approach, a result of growing drug problems in the 1960s, has been proven not only to be ineffective but counterproductive as well.

In David Warren's article "Tough stance can control drug problem" *(BI,* Aug. 4), he outlines this approach as a response to the increasing use of marijuana among employes. I agree the use of marijuana is a growing concern in the workplace, our communities and our families. I would also agree, however, that the use of alcohol and prescription drugs far exceeds that of marijuana.

An example of the rising use of prescription drugs might be valium, a popular drug today. Prescribed as a mild tranquilizer and muscle relaxant, it was the No. 1 drug prescribed in 1979. An estimated 64,000 people are treated for valium overdoses every year—most of these people gainfully employed.

I view Mr. Warren's approach as punitive. I see it resulting in an antagonistic environment and being counterproductive to the company's productivity, morale and employe job satisfaction.

In addition, Mr. Warren states, "to give the warning teeth, supervisors might be subject to action if their subordinates are found with drugs." This kind of tough stance may prove effective in firing one, maybe two employes, but in the long run people learn to be more discreet.

I would suggest a different approach that is more humanistic, more effective and more conducive to a productive work environment.

It is a program based on the premise that industry and society in general suffer serious losses as a result of the problems of drug and alcohol abuse. Based on research in industry, one can expect that in a company with 5,000 employes there will be 500 workers, or 10%, with alcohol, other drug abuse or mental health problems serious enough to impair job performance.

It is essential to begin with a firm, written approach to the problems that can be announced to all employes. This policy should clearly specify the company's response and the overall way in which violations will be handled. The policy should reflect a balance between concern for the employe's welfare and management responsibilities.

The second stage in the proposed program is the training of a team of people within the company who can effectively talk with, assess and assist employes and their families. A group of approximately 15 people, representing union and management, should be trained as counselors.

A 20- to 24-hour training program can give these counselors the ability to understand drug and alcohol abuse and its effects on the body and job performance, to assess a problem, motivate the worker to seek aid and make appropriate referrals and post-treatment follow-up sessions.

Ideally, prospective counselors would be granted release time for training, but most of their work with employes would take place on their own time. Trainees should be volunteers who are prescreened by the company.

The third step is the training of supervisory personnel. Supervisors play a critical role in the program. Through job attendance and performance review, they are often the first ones to spot an employe's difficulties.

Fourth is a public relations effort with employes, both in person and through posters, newspapers, etc. It is essential employes and their families be informed about the program. ■

Cheryl Olson is adult education and program coordinator for the Milwaukee Council on Drug Abuse.



Photo: Mary Cairns

An estimated 64,000 people a year—most of them employed—are treated for valium overdoses.

Businesses step up cost-control moves

Continued from previous page

company boards, Ford also supports efforts to establish economic incentives for provider cost containment. Examples include a hospital prospective payment system and a generic drug incentive program, both launched by Blue Cross/Blue Shield of Michigan.

In addition, Ford promotes such alternative health care delivery systems as health maintenance organizations to improve quality and cost competition.

This is accomplished in two ways. First, HMOs transfer the financial risk for health service cost to providers, the group that has the most control over costs. This arrangement gives providers an incentive to offer the most cost-effective mix of quality health services. As a result, HMO premiums usually are less than those of comparable fee-for-service plans. Second, HMOs provoke a competitive response from traditional fee-for-service plans, resulting in reduced utilization and lower health care costs.

Because of these advantages, Ford has intensified its HMO efforts throughout the country by offering a greater number of prepaid plans and by educating employes on the HMO concept. In Detroit, Ford, working with the UAW and the other auto companies, participated in the development of a new federally qualified community HMO, the Health Alliance Plan.

Although we believe the long-run solution to the cost problem lies with strengthening competition, we recognize this will be difficult to accomplish. Because of this difficulty, we support short-term programs aimed at correcting problems caused by existing incentives. Examples of these programs, which have become part of the company's collective bargaining agreement with the UAW, include concurrent utilization review, second opinion surgery, model treatment review, preadmission testing and weekend admission control.

Most are conducted on a pilot basis, and those that prove cost effective will be expanded companywide. Ford also participates in several community efforts designed to address health service demand and supply issues.

In 1978, Ford worked with other business, labor, government and provider interests in the development and passage of legislation to reduce surplus hospital capacity in Michigan. Implementation of this legislation, which is ongoing through the health systems agencies, has been difficult.

Most major improvements in health care come through changes in lifestyles. Ford promotes preventive and health education programs to minimize risk and promote healthy lifestyles. Major efforts include cardiovascular risk intervention, hypertension risk screening, alcohol and drug abuse counseling and general health education.

Many approaches are available, including individual company actions, joint company-union efforts and company-third party programs. Because health cost problems can appear awesome, with solutions requiring resources beyond those available at any single company, individual employers may want to combine resources with others through a coalition.

The coalition approach has been used in Michigan in launching the new Detroit HMO, passing hospital bed reduction legislation and establishing aggregate cost objectives by major provider category.

Before launching a program, an employer should consider risks as well. The most serious is that of alienating a major interest group such as physicians or hospitals.

Finally, senior management must understand that often it is difficult to quantify the results of certain efforts, and payback may be recognized only after several years. ■

riskWatch

Doing nothing may be answer to asbestos risk

By ELLIS SIMON

The maintenance engineer leaves the school administrator a memo: "The insulation in the south end of the building does contain asbestos. Should I have it ripped out?"

The Environmental Protection Agency would say yes. It has advised that the cancer-causing properties of asbestos make it too dangerous to be used in public buildings. Congress has passed legislation (PL 96270) to provide federal funds for removing asbestos products from schools, but the first appropriation for fiscal 1982 hasn't been approved yet.



Simon

Now a Long Island industrial hygienist recommends the asbestos products be left where they are.

Hygienist James T. Schirripa, chairman of Industrial Hygienics Inc. of Huntington, N.Y., says his research shows that removing asbestos insulation increases the cancer risk 20 times.

The EPA says not all asbestos insulation has to be removed, but if it does, there are ways to reduce the risks.

Mr. Schirripa bases his findings on five years of sampling and analyzing air in general occupancy buildings and ships having asbestos insulation.

He sampled air at several locations in 100 buildings and used data from 40 in his report. He measured the asbestos fibers in the samples and calculated the time it would take for a tumor to develop after continuous exposure to that air.

Seven out of eight buildings and ships showed an asbestos fiber content of 0.1 fibers per cubic centimeter or less—the EPA standard for allowable asbestos fiber concentration in public schools.

The studies show an average time-to-tumor period of more than 100 years. This represents "a risk far smaller than previously believed," Mr. Schirripa says.

If the insulation in tested buildings were not removed, continuous exposure to fiber-laden air would cause, at most, 112 cancer cases per million population over 40 years and 2,707 cases per million population over 75 years, Mr. Schirripa says. "That's the risk of doing nothing."

Ripping out asbestos insulation, however, could increase that risk 20 times, he points out. Asbestos fiber levels in air samples often exceed 100 fibers per cubic centimeter after insulation removal. The unsettled fibers recirculate like dust from a beaten mattress, Mr. Schirripa says.

This could cause 2,245 cancer cases per million population in 40 years and 12,349 cases per million population in 75 years, Mr. Schirripa says.

The EPA, however, does not agree with Mr. Schirripa's testing techniques. His method "does not identify asbestos, per se, but counts fibers," said Joseph Breen, a chemist in the EPA's Office of Pesticides and Toxic Substances.

"In general occupancy buildings, (Mr. Schirripa's) technique is inappropriate because fibers are thinner than resolvable by microscope," he added.

Effective analysis of air samples requires specialized techniques involving long-term sampling and electron microscopes, Mr. Breen says. The cost of electron microscope analysis would be prohibitive for schools, he adds. Therefore, EPA believes "if asbestos is detected, then there's a problem."

This does not automatically call for removal of the insulation, however. It would depend on whether the asbestos-containing material is damaged or deteriorating, whether it can be tampered with and whether the fibers can become loosened and circulated in the air, Mr. Breen says.

The decision to remove asbestos must be made by health professionals, Mr. Schirripa and Mr. Breen agree. And the removal should be carried out under a health professional's supervision, Mr. Schirripa says.

Following asbestos removal, an area should be vacated for five days to allow remaining fibers to settle, Mr. Breen says. Then floors, walls and ceilings should be cleaned to prevent recirculation of fibers. A sealant should be sprayed on the surfaces to lock in remaining fibers.

If proper procedures are followed, including protection of workers and burial of the fibers in a container, the risks of removal are minimal, Mr. Breen says.

Work comp payouts take longer

SAN FRANCISCO—California insurers, self-insured employes and public agencies took longer to pay certain workers compensation benefits for disabled employes in the last half of 1979, the California Workers Compensation Institute reports.

The average time between disability and the first benefit payment to a worker averaged 18 days, up from 17.5 days in the second half of 1978, according to statistics from the state division of industrial accidents. About two-thirds of employes disabled in the last half of 1979 received their first benefit check within two weeks; in the early 1970s, 78% of employes did.

Insurers and self-insurers had the best on-time payment performance, averaging 17.6 days after disability, only marginally higher than the year before. But legally uninsured public agencies took 28.2 days to pay benefits.

These DIA figures exclude wage continuation cases, however. When these payments are included, the on-time record for every category improves, and 81.5% of all payments are made within 14 days.

The performance decline coincides with a 5.6% upsurge in claims in the July-December period and a 41% increase since 1975. ■

RIMS chapter picks officers

MILWAUKEE—Ted T. Hood, corporate risk manager for Applied Power Inc., has been elected president of the Wisconsin chapter of the Risk & Insurance Management Society.

Other 1980-81 officers are: Robert Dreher of Western Publishing Co., vp; Gary W. Beem of American Appraisal Assn. Inc., secretary, and Steven T. Tauke of the First Wisconsin Corp., treasurer. ■

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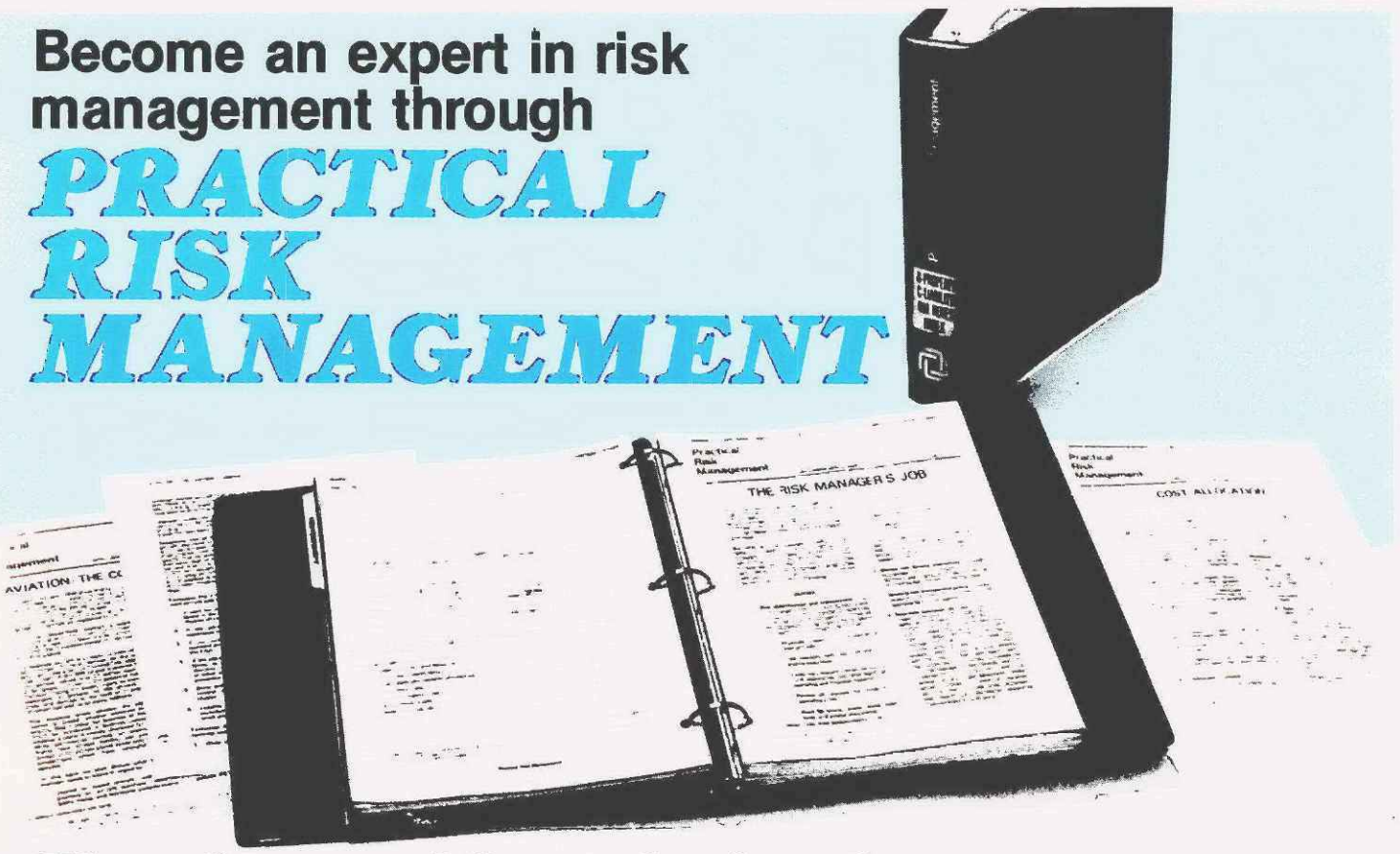
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OCT. 8-12. Insurance Consultants Society Meeting in Bermuda, sponsored by the First Risk Management Co. Mary Lou Kirk, president of ICS, will open the meeting, followed by Leonard J. Silver, president of First Risk Management Company, who will discuss the consultant's role in "The Intricacies of Multinational Risk Management—It isn't Just Insurance." Eliot Daniels, vp of Johnson & Higgins of Florida Inc., will speak on the broker's role in "Handling the Non-Giant Multinational." The insurer's role, "Toward a Successful Multinational Risk Program," will be covered by Jack MacCormac, vp of INA International. The role of the Bermuda market in the international marketplace will highlight the third day of the meeting. Speakers include John R.C. Harris, president of the Sommerset Group; Sam Alcorn, senior vp of Bayly, Martin & Fay International Inc.; Francis J. Mulderig, president of Aneco Reinsurance Co.; Norris Hayes, vp of Mentor Insurance Co. Ltd., and Shelton Burgess, Registrar of Companies of Bermuda and chairman of the Bermuda Insurance Board. A panel discussion followed by a "bull session" will close the nonmeeting portion. $200 fee for nonmembers. William H. Elliot Jr., CPCU, arrangements chairman, ICS Bermuda 1980, Crain Langner & Co., 20575 Center Ridge Road, #318, Rocky River, Ohio 44116.

OCT. 14-17. Computer Methods Seminar in New York, sponsored by The Anistics Seminar Series, a subsidiary of Alexander & Alexander Inc.; $695. Anistics Inc., Attn: Seminar Administrator, 640 Fifth Ave., New York, N.Y. 10019; 212-541-6050.

OCT. 15-17. Self-Insurance and Risk Retention Seminar in Reston, Va., sponsored by the American Management Assns.; $510 for members, $585 for nonmembers. AMA, 135 W. 50th St., New York, N.Y. 10020.

OCT. 16-17. How to Audit and Check Insurance Policy Costs and Coverages Course in Chicago, sponsored by American Management Assns.; $435 for members, $495 for nonmembers. AMA, 135 W. 50th St., New York, N.Y. 10020.

OCT. 16-17. The New York Insurance Exchange and Free Trade Zone Course in New York, sponsored by American Management Assns.; $460 for members, $525 for nonmembers. AMA, 135 W. 50th St., New York, N.Y. 10020.

OCT. 20-21. Hospital Risk Management Seminar in Daytona Beach, Fla., sponsored by EBASCO Risk Management Consultants Inc.; $370, $320 for each additional participant from the same organization. EBASCO Health Care Registrar, Two World Trade Center, New York, N.Y. 10048; 212-839-1360.

OCT. 20-22. Communicating Employe Benefits Course in Boston, sponsored by American Management Assns.; $545 for members, $625 for nonmembers. AMA, 135 W. 50th St., New York, N.Y. 10020.

OCT. 20-22. Fundamentals of Property and Casualty Insurance Buying Course in Los Angeles, sponsored by American Management Assns.; $555 for members, $635 for nonmembers. AMA, 135 W. 50th St., New York, N.Y. 10020.

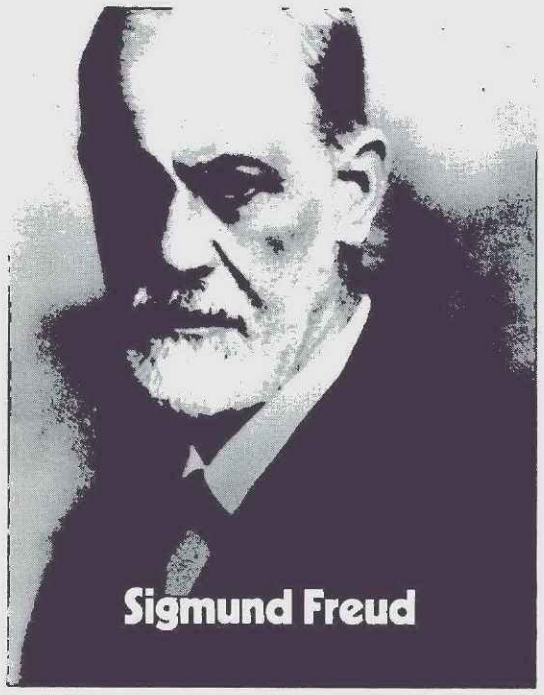
OCT. 21-23. Managing Marine Risk Course in London, sponsored by Risk Research Group Ltd.; $771. Alison Rayner, course coordinator, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD.

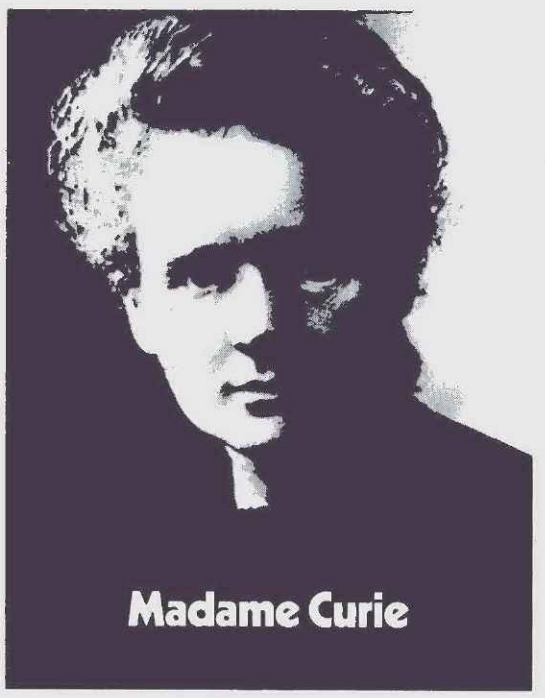
OCT. 23-24. Creative Executive Perks Course in New York, sponsored by American Management Assns.; $460 for members, $525 for nonmembers. AMA, 135 W. 50th St., New York, N.Y. 10020.

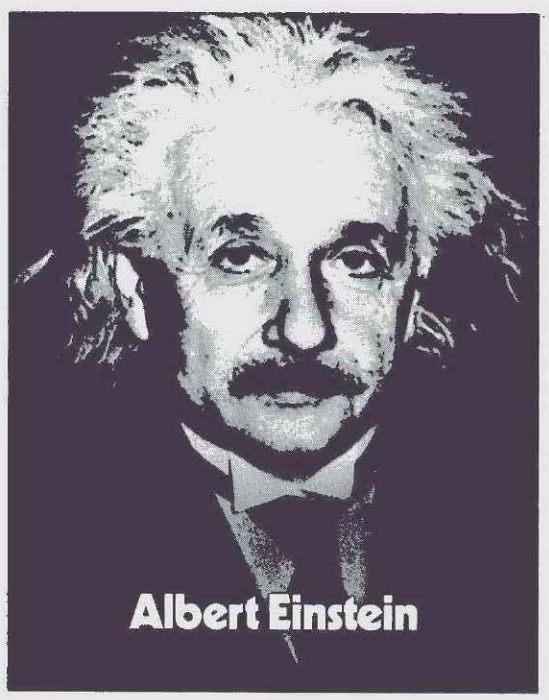
OCT. 23-24. Risk Management Accounting Seminar in Chicago, sponsored by Corporate Systems; $345. Connie Oak, Corporate Systems, P.O. Box 31780, Amarillo, Tex. 79120; 806-376-4223.

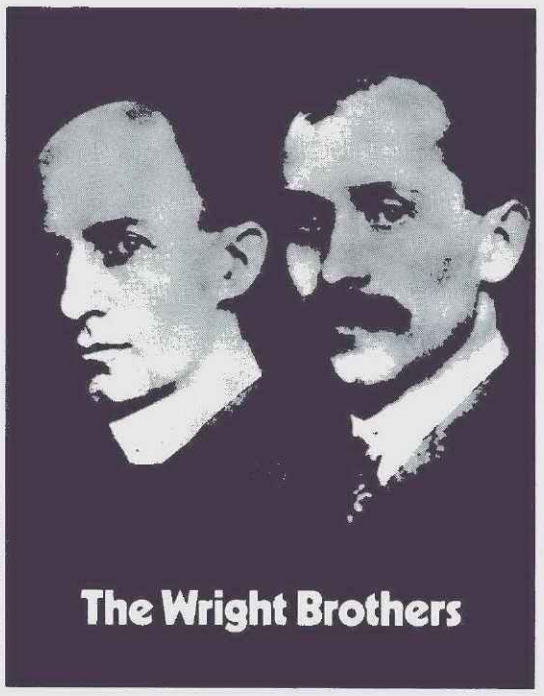
OCT. 27-28. Hospital Liability and Risk Management Seminar in New York, sponsored by the Practising Law Institute; $250. Nancy B. Hinman, PLI, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700. ■

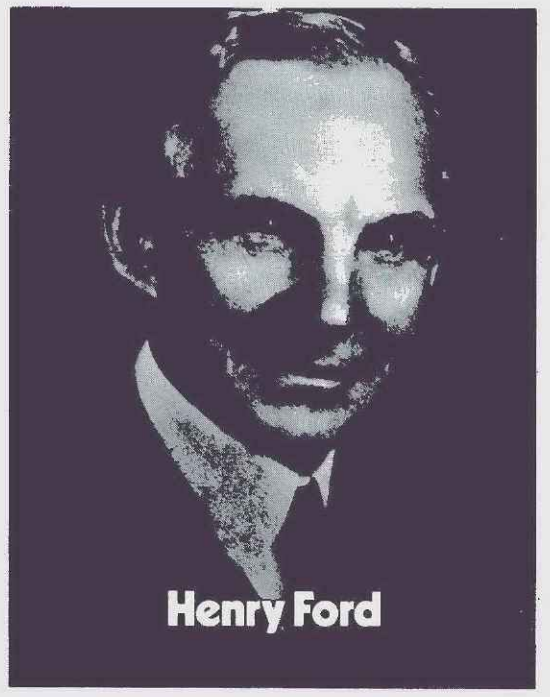
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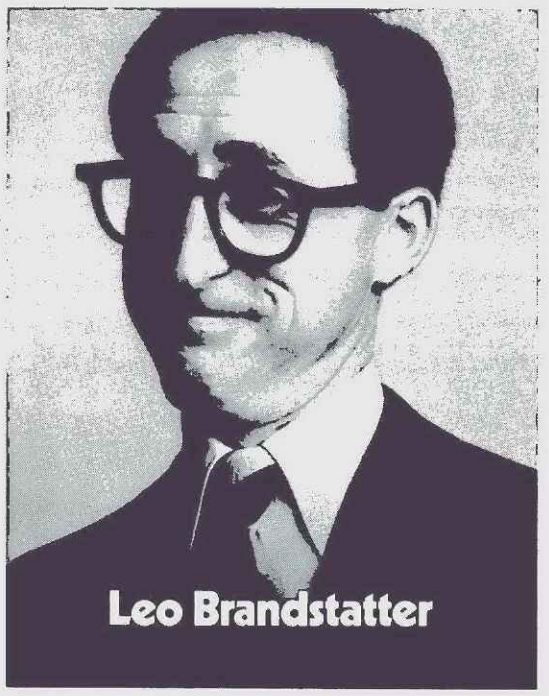

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CU Life chooses Madden as president

BOSTON—L. James Madden has been elected president of Commercial Union Life Insurance Co. of America. He joined Commercial Union in 1979 as senior vp-marketing.

Mr. Madden had 20 years of management experience with SAFECO Life Insurance Co. before coming to Commercial Union.

Other insurer changes:

George R. West has been elected chairman of the board and president of Allendale Mutual Insurance Co. Mr. West will replace William Goodall Jr., who previously announced his intention of stepping down on his 43rd anniversary with the Factory Mutual System. Mr. Goodall plans to continue as a member of the Allendale board.



West

John T. Bogart named vp of casualty for Commercial Union Surplus Lines Insurance Co.

Bill Shirley elected vp and treasurer of Scor Reinsurance Co., **Tom Miller** named vp.

Edwin Cave appointed vp-ocean marine underwriting for Marine Office of America Corp.; **Roderick McNamara** appointed assistant vp-inland marine underwriting and policy forms research; **Frank M. Shaw** named manager of excess and marine liability; **Roderic J. Wildish** named vp and manager for MOAC's Canadian region.

comings & goings: industry

Agents/brokers

Rene A. Gutierrez and **Michael G. Heim** appointed vps of the international department of Johnson & Higgins.

David D. Haynes named executive vp and chief operating officer of Corroon & Black of Nashville.

Tallis G. Lockos promoted to senior vp-marketing at Rollins Burdick Hunter of Missouri Inc.

John F. Surano named resident vp of James S. Kemper & Co. Mr. Surano will administer all sales, marketing and underwriting functions for New Jersey and New York.

Matthew F. Coughlin III appointed manager for major accounts at Marsh & McLennan's Tulsa office. Also at M&M of Tulsa, **Ward DeSilva** named manager of claims management services.



Coughlin

Robert A. Chorak named vp of Risk Treatment Services-Colorado, a division of Bayly, Martin & Fay, responsible for claims administration, loss-control coordination and research.

Roger E. Veit named assistant vp and employe benefits manager for Bayly, Martin & Fay of Philadelphia.

Kenneth M. Harrison appointed senior vp-marketing of Fred S. James & Co. of Pennsylvania and manager of the Philadelphia office; **Archie Howie Jr.** and **Ralph L. Hansen** promoted to vps and **Ronald L. Hodge** named assistant vp.

William E. Adams joined the employe benefits department of Fred S. James & Co. of New England in Boston.

Robert E. Kuntz named vp in charge of risk management services for Fred S. James & Co. of Illinois; **R.D. Heitzman** appointed vp of the technical and international risks unit; **William C. Dunham** appointed assistant vp.

Frank Milano appointed vp-manager of Kelter-Thorner Inc. of New Jersey; **Roger Blaser** named vp of the corporation, headquartered in Southfield, Mich.

Erv Kranberg promoted to assistant vp of Thomas F. Sheehan Inc.; **Jean Millhouser** and **Pat Tallungun** appointed assistant secretaries.

Mark Humphries named resident vp of M.J. Hall & Co. of Arizona.

Mark T. Rummler appointed vp of Kreidler-Shell Inc. of Cincinnati.

Robert J. Young named executive vp of general agency operations at Robert F. Driver Co. Inc. in San Diego.

John L. Downey elected chairman of Snodgrass Lovitt Downey & Touche Inc. of Tucson; **Carol G. Touche** was re-elected president; **James R. Spring** named vp/secretary.

Robert W. Lindner appointed assistant vp of Sherwood Insurance Services in San Francisco.

J. Alan Fetterman and **Frank D. Svitek** promoted to vps of the Clair Insurance Agency in Erdenheim, Pa.

Edward Griffiths named underwriter/producer for the Stockton office of IWest Insurance Managers. ■

info

• A summary of federal regulations to assist firms **generating or transporting hazardous waste** has been compiled by Bayly, Martin & Fay's environmental safety consulting division. The summary will help firms prepare registration filings mandated by the regulations. For a free copy of the report, write Samuel Alcorn, senior vp, Bayly, Martin & Fay International Inc., 3200 Wilshire Blvd., Los Angeles, Calif. 90010.

• **How to Pay Reasonable Hospital Drug Charges** outlines the drug review and drug monitoring programs that PCC/Drug Data Systems Inc. provides nationwide. For a free copy, write PCC/Drug Data Systems Inc., P.O. Box 4832, North Hollywood, Calif. 91607.

• A new edition of **Books in Insurance** has been made available by the Insurance Information Institute. The booklet contains a list compiled by the Library of The College of Insurance, Insurance Society of New York Inc. and published by the institute. The books and periodicals listed are of general or introductory nature and are suitable for self-study, advanced reference or classroom use. Single copies are free, additional copies are 80 cents each to members and agents, $1.60 to nonmembers of the Insurance Information Institute, 110 William St., New York, N.Y. 10038.

• The fifth edition of the **Standard for Safety for Printed-Wiring Boards**, UL-796, has been published by Underwriters Laboratories Inc. The requirements apply to printed-wiring boards for use as components in devices or appliances. Copies are available for $3.75 each or $9 for the fifth edition and any revisions issued while it is in effect. A catalog is available free. Send prepaid orders to Underwriters Laboratories Inc., Attn: Publications Stock Department, 333 Pfingsten Road, Northbrook, Ill. 60062.

• Employe Benefit Research Institute has published a report offering techniques to evaluate information and statistics on **retirement income programs.** Copies of the report are available for $5 from EBRI, 1800 M St. N.W., Suite 275-N, Washington, D.C. 20036.

• The Group Health Assn. of America library has compiled a two-volume bibliography on **HMOs** covering 1974 through 1978. Volume I consists of more than 1,800 entries indexed by 90 subject areas and costs $5. Volume II is a selected and annotated bibliography organized around 28 categories and costs $4.75. Write Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

• The **Introduction to the Insurance Industry** training manual covers the basic principles and concepts of insurance, plus each of the major lines. The manual is $7.95 plus shipping and quantity prices are available. Marshall W. Reavis, chairman and publisher, Insurance Education Specialists Ltd., 43 Norfolk Ave., Clarendon Hills, Ill. 60514; 312-325-9697.

• **Student Review Guide for CPCU 1** is a supplementary training manual for persons studying for the CPCU designation. Manuals are also available for each section of the 10-part program. Send $14.95 plus shipping to Marshall W. Reavis, chairman and publisher, Insurance Education Specialists Ltd., 43 Norfolk Ave., Clarendon Hills, Ill. 60514; 312-325-9697.

• **The Information Report** is a bimonthly newsletter identifying little-known free information sources that can be contacted by phone, including recorded messages; toll-free "800" numbers; free research; major government offices, and statistical centers. Single copies of the report are available for $5; annual subscriptions cost $24. For more information contact Washington Researchers, 918 16th St. N.W., Washington, D.C., 20006; 202-833-2230.

• The seventh edition of the **Standard for Safety for Alarm Valves for Fire Protection Service,** UL-193, has been published by Underwriters Laboratories Inc. Copies are available for $3.75 each or $9 for the seventh edition and any revisions that may be issued while it is in effect. A catalog of UL standards is available without charge. Prepaid orders should be sent to: Underwriters Laboratories Inc., publications stock department, 333 Pfingsten Road, Northbrook, Ill. 60062. ■

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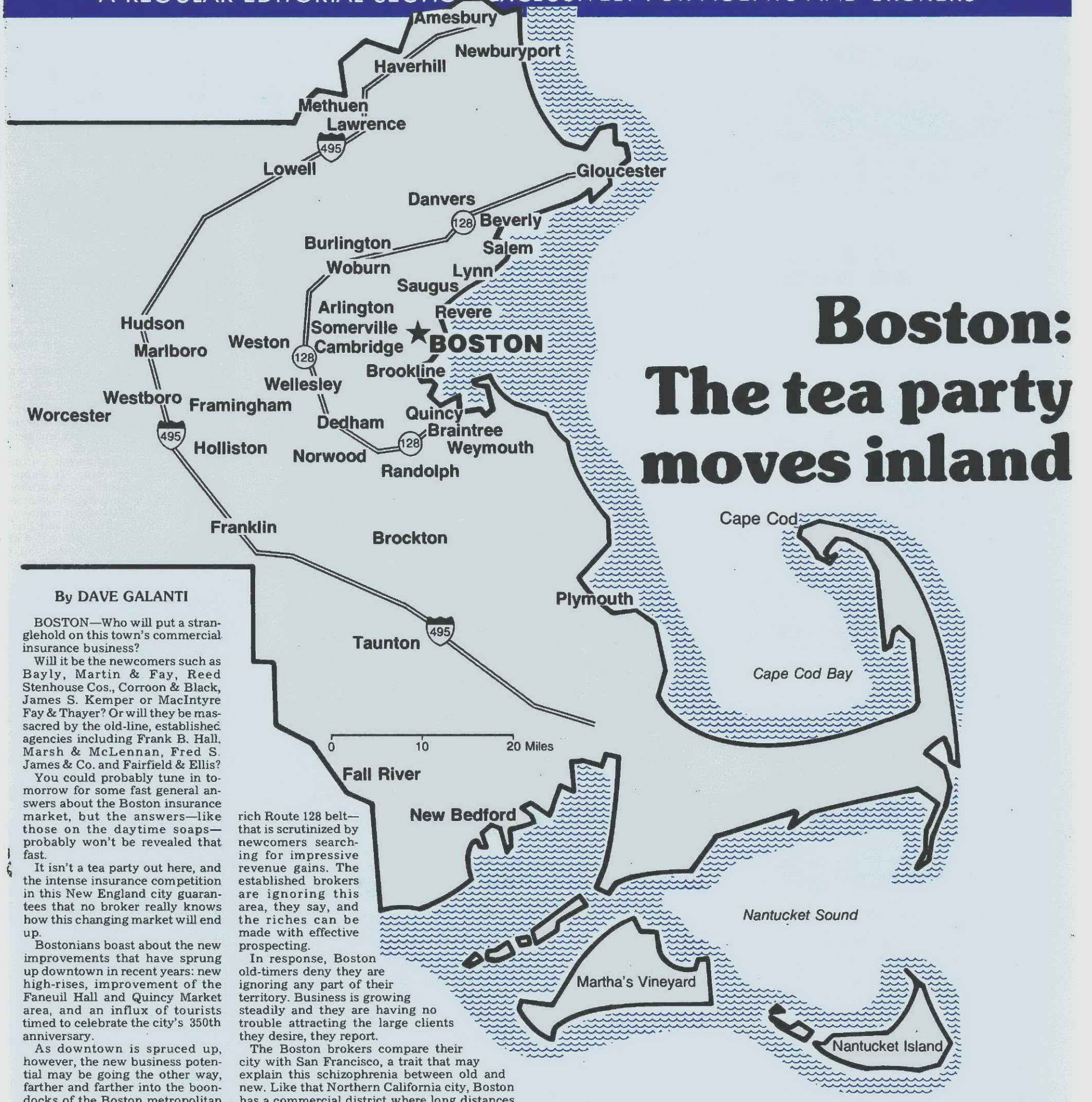
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agent/broker topics

A REGULAR EDITORIAL SECTION EXCLUSIVELY FOR AGENTS AND BROKERS



Boston: The tea party moves inland

By DAVE GALANTI

BOSTON—Who will put a stranglehold on this town's commercial insurance business?

Will it be the newcomers such as Bayly, Martin & Fay, Reed Stenhouse Cos., Corroon & Black, James S. Kemper or MacIntyre Fay & Thayer? Or will they be massacred by the old-line, established agencies including Frank B. Hall, Marsh & McLennan, Fred S. James & Co. and Fairfield & Ellis?

You could probably tune in tomorrow for some fast general answers about the Boston insurance market, but the answers—like those on the daytime soaps—probably won't be revealed that fast.

It isn't a tea party out here, and the intense insurance competition in this New England city guarantees that no broker really knows how this changing market will end up.

Bostonians boast about the new improvements that have sprung up downtown in recent years: new high-rises, improvement of the Faneuil Hall and Quincy Market area, and an influx of tourists timed to celebrate the city's 350th anniversary.

As downtown is spruced up, however, the new business potential may be going the other way, farther and farther into the boondocks of the Boston metropolitan region.

This is the region—past the risk-rich Route 128 belt—that is scrutinized by newcomers searching for impressive revenue gains. The established brokers are ignoring this area, they say, and the riches can be made with effective prospecting.

In response, Boston old-timers deny they are ignoring any part of their territory. Business is growing steadily and they are having no trouble attracting the large clients they desire, they report.

The Boston brokers compare their city with San Francisco, a trait that may explain this schizophrenia between old and new. Like that Northern California city, Boston has a commercial district where long distances are measured in blocks, not miles.

Continued on next page

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Be a better agency manager . . . page 26H

E&O loss control helps INAX . . . page 26J

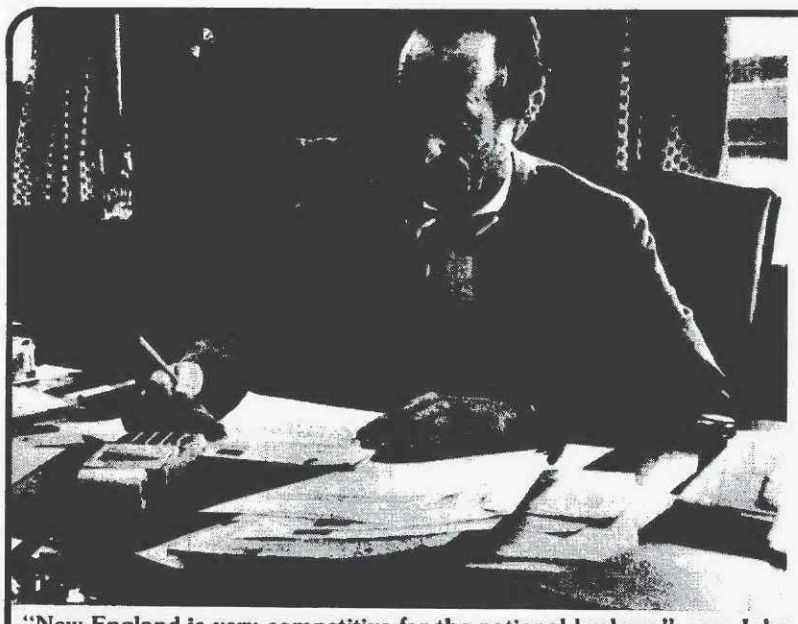


Photo: Dave Calanti

"New England is very competitive for the national brokers," says John Pepper, executive vp of Frank B. Hall & Co. in Boston.

Inland tea party

Continued from previous page

This has created a rather tight-knit brokerage community within walking distance of each other and many corporate buyers.

New brokers in town charge the old-line brokers are too used to walking, so much that their producers are unwilling to travel far from the city for anything less than the jumbo accounts elsewhere in New England. When salesmen do venture forth, it is only to the high-technology firms that have gathered around the Route 128 belt.

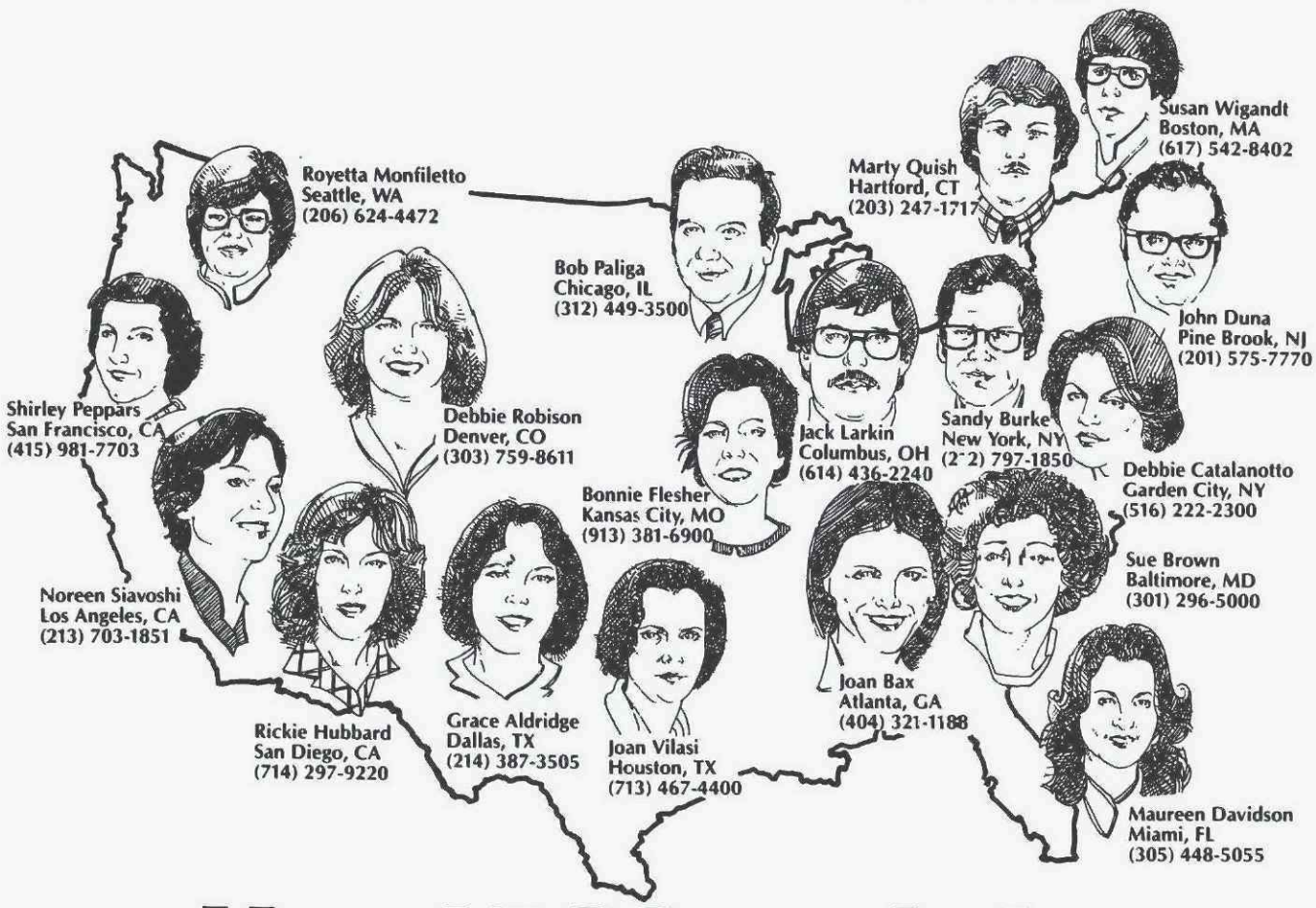
New brokers—especially Corroon & Black—crave this business and have been somewhat successful. But they are also looking beyond Route 128 to the more distant Interstate 495 belt as the target for their offensives.

The old-line firms don't buy this theory and say many of their present accounts lie beyond Route 128 and that the hinterlands may eventually yield business to them.

Both newcomers and old-liners agree—competition in Boston is intense now. And it will probably get worse as more and more national brokers try to carve out increasingly large pieces of the map in a market that is not booming like the West or Sunbelt regions.

For the lowdown on the established agencies, see story at right. The newcomers' prospects on page 26D.

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Old-line

BOSTON—The old-line brokerages here manage a pretty good Jekyll-and-Hyde act.

One face is the remains of the old-time Boston property/casualty agency that ruled the city as managing general agents.

The other face reflects the influences of the national brokers. There are drives for size and new accounts, risk management specialties and high-rise offices.

You can see the blending of the two everywhere.

Frank B. Hall & Co.'s powerful office grew from the Boit, Dalton & Church agency and much of the same leadership is still there today.

Marsh & McLennan was a powerful force here long before it achieved its national super broker image.

Then there are independents: Fairfield & Ellis, which brags a history reaching back to the early 1900s and a large book of national business today. Brewer & Lord, another independent, has been in Boston since 1859 and lists many elite personal lines risks in with its risk management, rate analysis, engineering and claims services.

And Frank B. Hall's current offices are in the same building the firm has occupied since the 1920s.

"We feel we are still a traditional agency, and I guess you can tell that by the decor," said executive vp John Pepper, who was with Boit, Dalton & Church before the acquisition. He admits business has changed, however.

"You know, Boston was a strong general agency town," Mr. Pepper added. "We still deal on a brokerage basis with smaller agencies and brokers, although it makes up a very small portion of our business today. When you deal with somebody for 40 or 50 years, you're pretty reluctant to throw them out."

Traditionally, he says, Boston agencies wrote about 50% of their business directly, with half as a general agent.

"But that was 30 years ago," Mr. Pepper added. "Ten or 20 years from now, there probably won't be any general agency business left. Attrition and age will take care of that."

The agency also reflects the way business used to be done in Boston. It has built up a number of long-standing national accounts over the years, Mr. Pepper says.

"Boston is an old financial center, and Boston money paid for a good deal of the expansion in the West," he said. "As a result, you had a lot of Boston people on corporate boards and other places where a Boston insurance broker could use his connections. That helped us build up the large accounts over the years."

But Mr. Pepper believes the association with Hall has let them keep those accounts.

"We here have seen both systems of operation—our own and with Hall, and we feel we've been able to service our national business better because of our association. Our engineers know other Hall engineers because they meet often and talk about consistency. We just don't think we could have gotten that from Assurex or other association groups.

"When we merged with Hall, we were all pretty young," he added. "No stockholder was over 45. We were looking for a way to better service our accounts, not to capitalize on what we had done. After all, we had to live with it for 20 years."

The market cycle in Boston, Mr. Pepper says, seems to move slightly behind the rest of the na-

agents adopt national style

tion, with slightly more stability among underwriters.

"New England is very competitive for the national brokers because we're all in place here," he said. "Risk managers also do business with more than one supplier and that keeps business hectic. Thirdly, outside of the electronics industry, growth has to come from existing business.

"Therefore, our growth is slower than in other areas, although here at Hall we have seen fairly stable growth in good markets and bad. We like to grow about 15% a year."

Mr. Pepper said that after the acquisition he had to explain what Frank B. Hall was to buyers at smaller firms. That isn't a problem today. The old name neither helps nor hurts their business, he says.

One of his competitors disagrees, however. When Fred S. James & Co. came in and merged with 100-year-old John C. Page & Co., it made a big difference, says executive vp William Buppert III.

"I see Boston in transition," said Mr. Buppert, who came from Pittsburgh. "The national brokers aren't well-known here and social ties still stand.

"Compared to other towns, people here sit on their customer bases," he added. "In Pittsburgh you see two of your competitors sitting in the foyer on your way out after seeing a buyer. That's not always true here.



Photo: Dave Garanti

Fairfield & Ellis's Alexander Ellis (left) and John McVarrish agree the national brokers are their competition.

"There are about 70 RIMS members in this immediate area. When I came in we weren't calling on two-thirds of that number. That was bad news. The good news for us was that no one else was either."

An influx of high technology business around Route 128 is changing that picture.

"That business is bringing in bright young financial people from other areas," he said. "This cuts the tendency to do business with those people they went to school with.

"Hall is better known as Boit than Hall," he added. "With us, people still ask about John C. Paige and Paige hasn't been our name for seven years."

The high-tech business demands little specialty expertise, however, a plus for efficiency.

"It can be frustrating because you really can't put together any type of specialty package for this business," Mr. Buppert said. "When you try to identify the problems inherent in the business you find there aren't any yet."

So the James office will try to specialize in other areas: construction risks or fishing boats.

Of the regionally based agencies in Boston, Fairfield & Ellis is probably the largest, although about 60% of its business is devoted to national accounts.

A/B/T markets

"Our competition is the large brokerages," said chairman Alexander Ellis Jr. "They have offices all over while we only have a very small service office in New York. But the number of offices isn't always the key in serving these clients.

"We have a big air travel budget and can go wherever we need to," Mr. Ellis added. "We also have a good group of engineers. In short, we give our people complete authority to do their jobs."

There is no local property risk that scares Fairfield & Ellis, Mr. Ellis said. Casualty risks depend on the manpower requirements.

Another local firm, Brewer & Lord, says it likes to stay within the Interstate 495 circle for business. According to senior partner Vincent M. Wilson, the firm will try to balance downtown and metropolitan business in the future.

"We still have a lot of the downtown business, but we will probably concentrate outside in the near future," Mr. Wilson said. "We will also continue to sell personal lines, especially the blue-blood type we handle on Cape Cod.

"As for property/casualty commercial insurance, we don't worry about the big houses," he said. "We like to go up against them. However, we don't seem to clash very much except once in a while on the big accounts—and we keep those with our service."

In bulk, no one is bigger than Marsh & McLennan, its 230 employes making it the largest broker office in Boston. More than half of them work for William M. Mercer's employe benefits office.

In the property/casualty insurance market, M&M will have to look throughout the New England region if it is to grow, senior vp Robert L. Peretti says. That includes looking at the smaller risks.

"The insurance base here isn't shrinking, but it isn't growing rapidly here, either. We have to hold on to what we have and try to take on other brokers on a lower level. We can do this by giving these risks personal attention and backing them up with M&M skills.

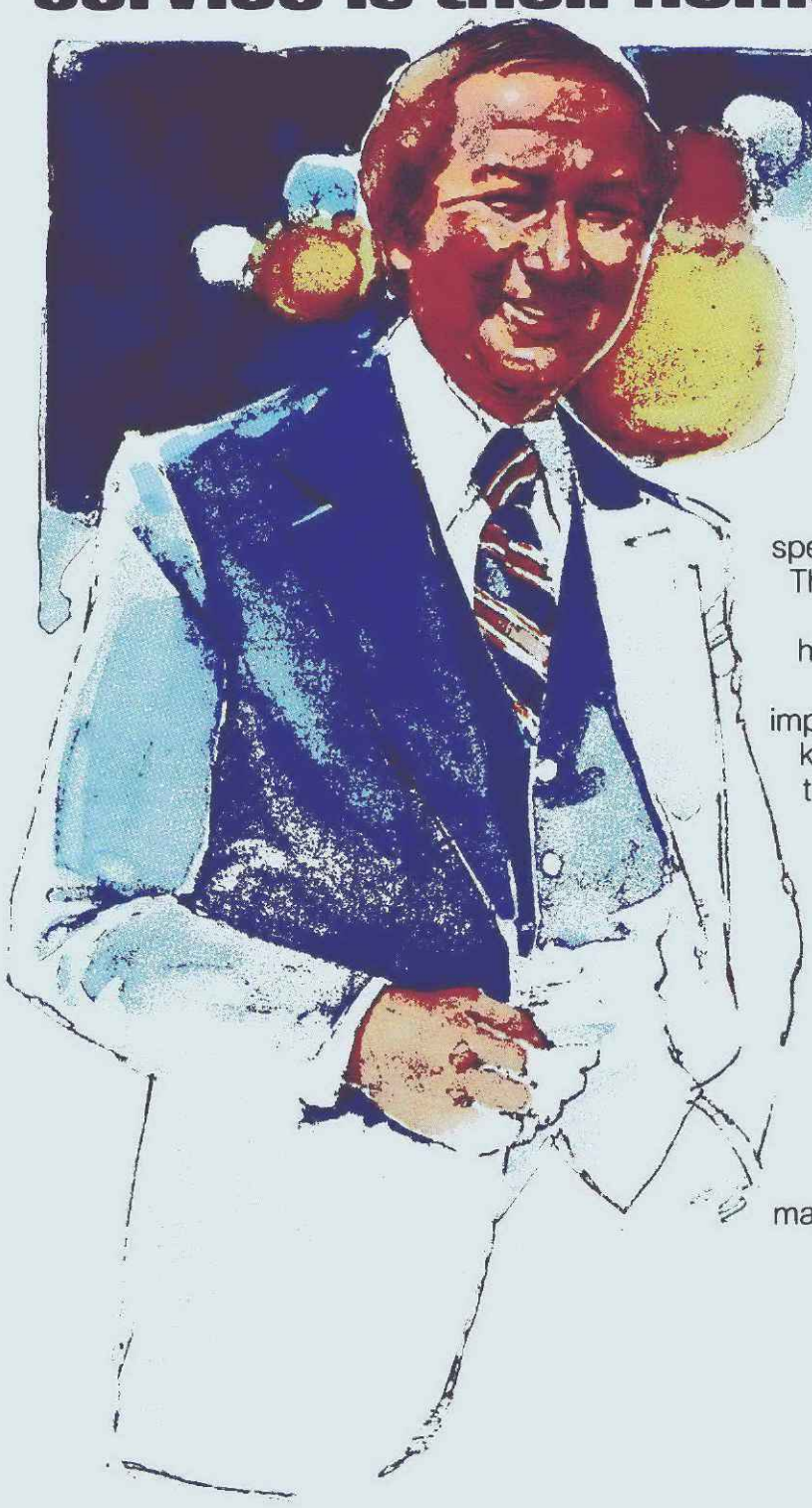
"This is a big small city. You have to take growth where you can get it," he said. ■



Photo: Dave Galanti

"I see Boston in transition," says William Buppert III.

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Brokers hope to emulate C&B success

Photo: Dave Galanti



"I feel we were a little more innovative," says John Perkins.

BOSTON—The Corroon & Black story is told again and again in Boston.

It's become as much a part of history as The Commons: A group of talented Marsh & McLennan employes leaves M&M to look for a new opportunity under their own leadership. They join Corroon & Black, which is looking for an opportunity to enter the market. In eight years they grow from six employes and $126,000 in revenues to 56 employes and nearly $4 million in revenues.

They win many of the area's largest firms, including the insurance for Howard Johnson and Boston University.

A lightning growth rate in a stable market isn't to be overlooked, and several brokers in the Boston area would love to emulate C&B's success. They are the newcomers to the scene. Their offices have been opened recently or they have just decided to make a big push for the top.

The hotshots include Reed Stenhouse Cos., headed by another ex-M&M employe (see story, page 26L); Alexander & Alexander, described as a $3 million revenue firm going on $8 million, and James S. Kemper & Co., which is planted in the suburbs.

Bayly, Martin & Fay opened its offices just this year and local firm MacIntyre Fay & Thayer recently hired a technical staff to computerize the agency and increase its efficiency.

They all look to Corroon & Black as the fairy tale they would like to believe in.

A/B/T markets

"I was 42 and I decided I wanted to start something new and work on something different," said John Perkins, president of C&B of Massachusetts. "We've been lucky, and we've been able to attract the good people to make this thing work."

The broker is in its fourth location, a high-rise in the brokerage district. The rate of the firm's growth has surprised even Mr. Perkins.

"When you really take a look at it, the New England region isn't growing very rapidly outside of the high-technology industries," he said.

"The market is very competitive and this is the home of such firms as Factory Mutual, American Mutual and Liberty Mutual who all go after the same business as we do.

"We feel we have good technical people to compete," he added. "But when we first started in business, everybody said that here was just another firm in town. Large companies just don't throw business out to bid, you know. We just did well because I feel we were a little more innovative and proved we were a stable organization during the hard cycles."

Mr. Perkins says he is serious about keeping a quality staff during times of expansion. He interviews anyone who is qualified to work for the firm, whether there is an opening or not.

"I have to constantly interview people, for if you wait, you won't find the person you want when you want them," Mr. Perkins said. "On occasion we hire someone at a time we normally wouldn't because we know we will keep growing."

C&B, like many other offices started from scratch, has a heavy balance of larger accounts in its book, he says.

"It's not a problem for us, though," he said. "Large risks pay large premium, and large premium means large commissions. So we're not complaining. I think our specialties lie with the large complex account. But the smaller risks are filtering in.

"There are a lot of $100,000 to $400,000 premium risks out there that are held by the local agent," he added. "We'll bomb them out, give



Photo: Dave Galanti

"We think we're located right where we have to be to grow," says Sanford Elsass.

the client a super job and keep the account. That will be easy for us to do, particularly if we catch a company that is growing rapidly and is finding its escalating insurance costs a sensitive issue."

Perhaps it is a misnomer to label Alexander & Alexander a newcomer to the Boston area, because the broker entered the region via a Philadelphia acquisition in the late '60s. Several brokers, however, say they believe the firm might explode locally.

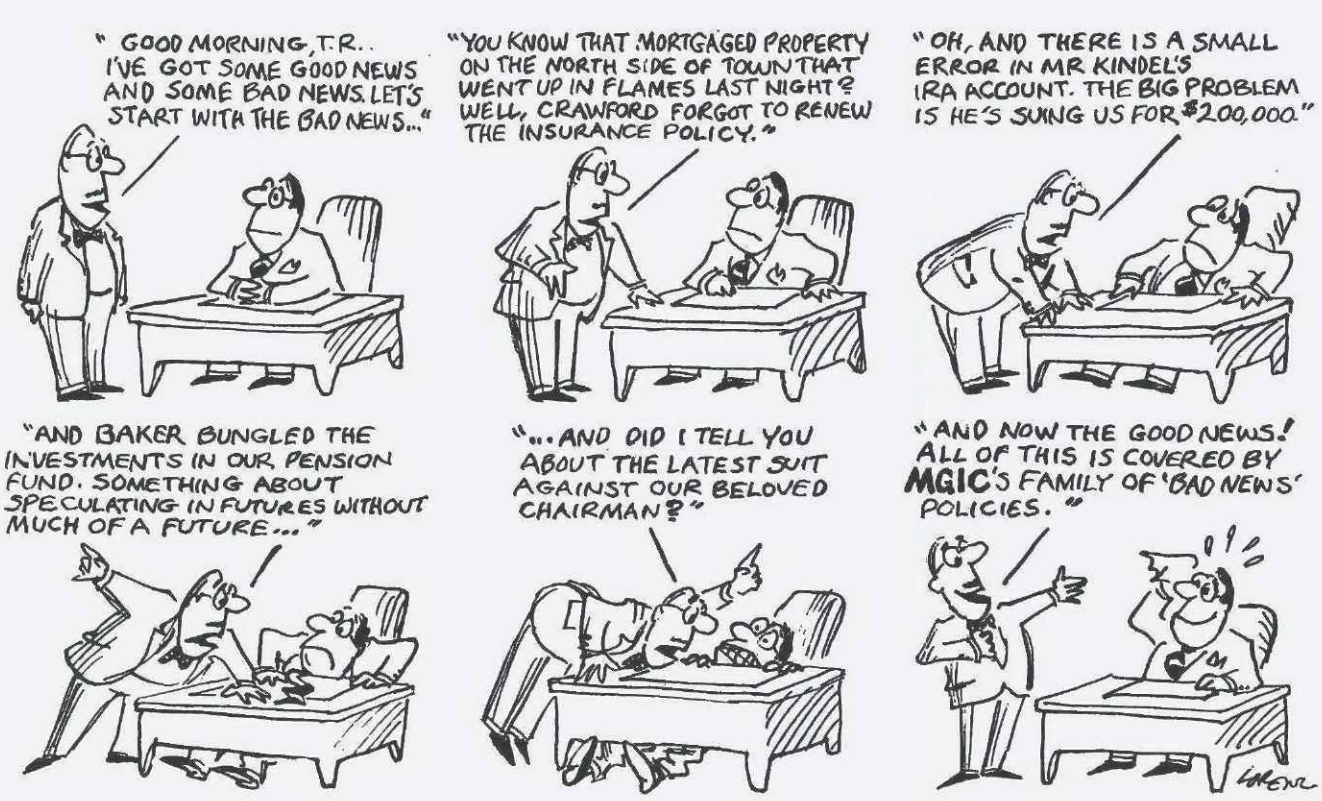
When managing vp Donald Murray touts his firm, however, he points to the office's expertise in handling nationwide utility risks—about 50 risks.

"The utility program is unusual for this area," Mr. Murray said. "We do all the reinsurance here and it is a single placement for the risk manager. And only 10% of that business actually originates from New England.

"We would like to see more local business, but our percentage may always be lower than most because of that utility business," he added.

Continued on page 26J

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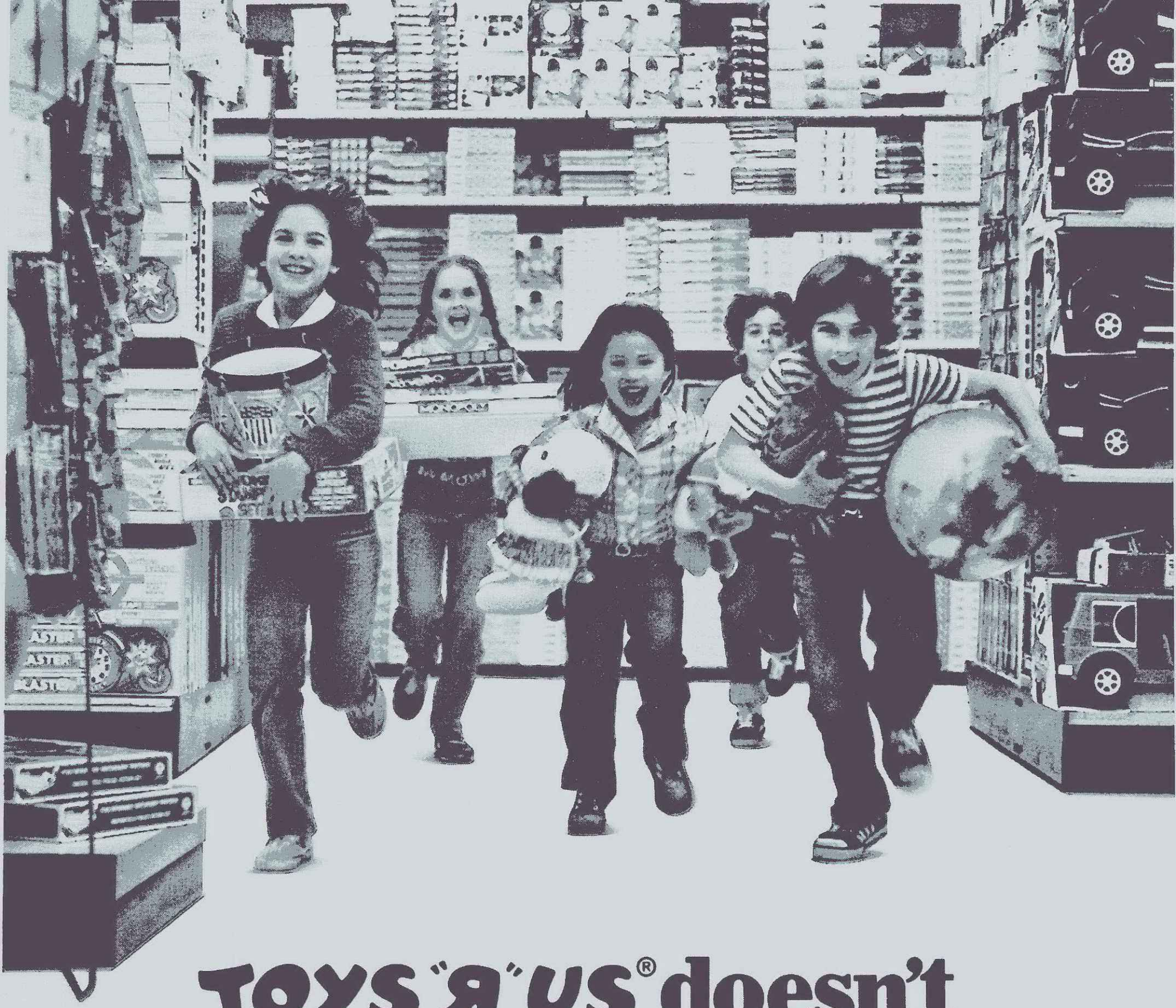
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Watch these pitfalls

LONG GROVE, Ill.—Here are several common mistakes new supervisors make in their insurance agencies, Bill Simpson says:

- Not delegating authority—doing the new job plus their old one. "Firms often advance their superior technicians because they are good at what they do. These technicians, however, often continue to do parts of their old jobs they should delegate to others."
- Not recognizing the new supervisory role and trying to be too much a member of the old gang.
- Not listening thoroughly to what employes have to say. "Let the other person do the talking and then draw them out in the direction you want to go."
- Not thinking through clearly the message the supervisor wishes to transmit to his or her staff. "Don't assume others know what you know. Figure out who the message is going to and present it in an environment they will understand."
- Not practicing sound time management, including bunching outgoing calls and, at times, tactfully locking oneself into his or her office to do an important chore.

Exec helps producers learn new role as boss

LONG GROVE, Ill.—The transition from effective salesperson to effective supervisor is never easy. Ask Bill Simpson.

Mr. Simpson, as management training manager of Kemper Insurance Cos. here, has trained dozens of new supervisors trying to make the successful transition from producer to leader. The process takes a willingness to learn basic supervisory techniques and an ability to constantly re-evaluate one's role in the business, he says.

"Motivating people to do the best job, whether in a small agency or large brokerage, is never an easy job," Mr. Simpson said. "You have to do some planning and also learn how to manage your time. You also should get acquainted with some basic theory.

A/BT systems

"The agency people I work with are generally super salespeople," he added. "What they're looking for is the way to transfer those abilities into giving recognition to others and making them feel a part of the shop."

There is no one secret.

"I think ex-producers have a real advantage in this area, though," he said. "One of the secrets of good supervisors is that they keep people motivated. But people who are in sales are already used to dealing with other people and their motivations, so they already have taken the first step."

The first step in making the transition, Mr. Simpson says, is to take a hard look at one's new job, new subordinates and new boss.

"When you move into a supervisory role for the first time, you have to realize that you will be seeing a bigger picture for the first time," he said. "You have to look at the company as a whole as well as your part in it. No longer can you just go out and produce business.

"Secondly, you should realize that you might not be one of the gang anymore. You will be held accountable for what your staff does or does not do. The trick is not to be aloof, but to make sure others see you as a manager," he added.

"Finally, you will probably have to re-evaluate your feelings toward your boss and upper management, because you will be closer to their areas of responsibility and see things a different way."

Although a good supervisor will probably look at these three areas before starting the new job, the process of becoming a supervisor is an evolving one, Mr. Simpson says. A sudden switch in attitude could make it seem the new supervisor is turning a back on the rest of the staff.

"After a while on the job, it is a good idea to survey the job and what you have done," Mr. Simpson said. "Among other things, that will allow you to determine things you may be doing now that could be better done by the people you supervise. The object is to give you more time to concentrate on things you should be doing—such as training, interviewing and making salary adjustments."

Once the initial transition is made, Mr. Simpson says, the new supervisor should continually work to improve communications and motivating skills.

"A small agency is almost the optimum size for good communication, but it can't be taken for granted," he said. "You have to think clearly beforehand. You don't have to formalize everything on paper in a small organization, but you may want to have a meeting now and then."

As a supervisor, Mr. Simpson adds, the job is to communicate the supervisor's wants in terms of performance standards and the training to reach these standards. Having employes repeat orders in their own words to tell how they will implement the suggestion often helps ensure the message has gone accurately from the supervisor to the employe.

To motivate personnel, Mr. Simpson says the more a supervisor can innovate to give employes variety in their work, the more successful he or she will be. It could make the difference between retaining and losing a good employe, he adds.

"Realistically, some employes will feel that they have exhausted their opportunities with a firm," he said.

"Others really won't want a promotion because they enjoy displaying their present skills to their clients, boss, etc. These people may get challenge enough by the changes inherent in our business—new policies and techniques.



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"For most, however, a supervisor can help create variety and help himself at the same time," he added. For example, one continual challenge for the supervisor is that although a division of labor is necessary, there is always that problem of getting the job done while someone goes on vacation. A supervisor usually can't afford to do it himself, wait until the person gets back or hire someone.

"Perhaps it will be possible to let another person handle parts of that job for the period the employe is away," he said. "That gives that person some variety and a chance to work into a new position. At the same time this process gets the essential parts of the job done."

Successful supervisors also spend time training their staffs. This is generally done at two times, Mr. Simpson says: when a person is new to a job and when the person has been assigned a job but is not giving an acceptable performance.

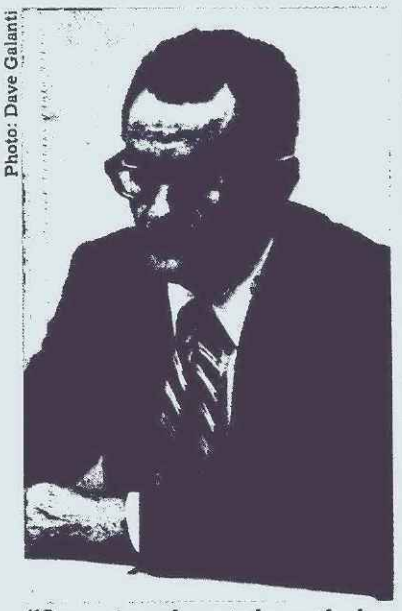
"Sometimes a very conscientious person feels that he or she has to have knowledge in every area that is as good as the employe's," he said. "That is not true. You have to know the key tasks and key results you desire."

One of the toughest tasks is faced by supervisors who must split their time between supervisory tasks and production work.

"A good way is to keep a diary of what you do every day," Mr. Simpson added. "That should tell you what the percentage is. It also will tell you whether you are doing things that should really be delegated to others.

"In general, however, you should budget your time so that your supervisory tasks take precedence over your technical ones, because your employes can't do their jobs correctly unless you do." ■

Photo: Dave Galanti



"Supervisors have to know the key tasks and results of their employes," says Bill Simpson.

Two reports study agents, regulation

CHICAGO—Two reports, one on the state of the independent agent now and another presenting problems he could face, have been issued by industry organizations.

"Independent Agency Survey Report," published by the Insurance Institute for Research in White Plains, N.Y., surveys the state of automation among independent insurance agents and includes other profile statistics.

"State Solutions for State Problems," published by the McCarran-Ferguson Task Force of The Last Manifesto committee, informs agents about the industry side of the McCarran-Ferguson debate over federal regulation and argues for the continuation of state regulation.

The IIR report profiles 6,300 agencies in the Independent Insurance Agents of America and National Assn. of Professional Insurance Agents. The agents, who each average slightly over $1 million in premium, were asked questions ranging from what type of automation they use to how large their average telephone bill is.

The report is available for $10 from the Insurance Institute for Research, P.O. Box 253, Kendallville, Ind. 46755.

The Last Manifesto group, a joint effort of the Florida Assn. of Insurance Agents and 19 insurers, fights increased federal regulation of insurance activities throughout the "State Solutions" report.

The report also predicts that agents would be subject to greater risk of antitrust liability, rating bureaus could be restricted and insolvencies might increase if McCarran-Ferguson is modified. ■

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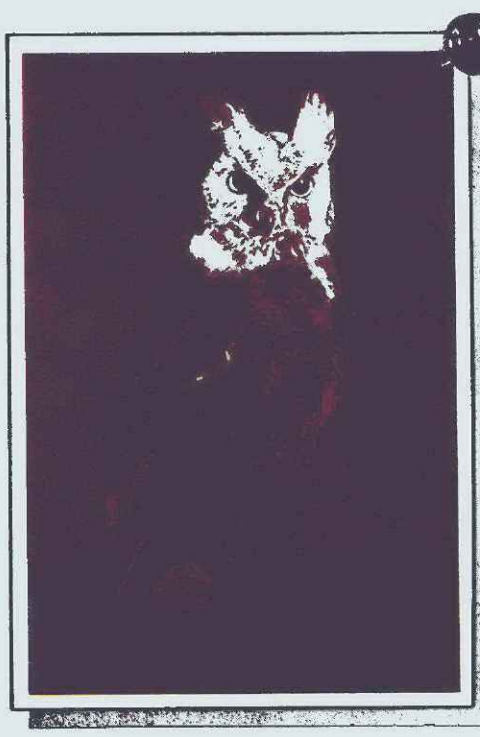
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INAX loss control wins E&O plans



The association endorsements mean a lot, says John Van Cleave.

CHICAGO—John Van Cleave says loss-control efforts are helping INAX Underwriters Agency attract more state agency association plans to its errors and omissions insurance.

That is what helped get the endorsement of the Independent Insurance Agents Assn. of California, said Mr. Van Cleave, INAX president. California agents had used Fireman's Fund Insurance Co. for their E&O plan.

The California endorsement pushes to seven the number of association plans INAX has captured in a two-year-push. Others include Pennsylvania, Arkansas, Michigan, New Mexico, Arizona and the District of Columbia as well as California.

"We've got those programs already, and we're working on about another 10," Mr. Van Cleave said. "Our focus, of course, is on the IIAA programs because Utica Mutual has the National Assn. of Professional Insurance Agents programs locked in."

INAX's competition is coming from Fireman's Fund, St. Paul Cos. and American International Group, Mr. Van Cleave says. However, he says it has been relatively easy in some states to win program endorsement.

"In Pennsylvania, Fireman's Fund even gave us their renewal list—don't ask me why," he said. "They also didn't try to retain the business in Michigan. In New York, however, it was a different story—they definitely worked hard to keep that program."

INAX was approached by officials of the California group late last year. IIAAC president Arthur Samuel would not comment on why the organization switched other than to say he was looking forward to working with INAX. However, Mr. Van Cleave cites INAX's loss-control efforts.

A/BT

"There is some loss control being done in the field by insurers and agency associations, but not on a continuing basis," Mr. Van Cleave said. "When we went to our loss-control people in Philadelphia, they said we had to design a program that is continuous and uses different approaches.

"What we will do is gear our program to areas of most frequency—maybe it will be renewal problems, for instance. If we do that, the results of our loss-control program will be dramatic, if we can talk to enough people."

The endorsement of state associations means a lot, Mr. Van Cleave says.

"Most independent agents don't shop around a lot, although they may compare our program with Liberty Mutual's PIA program.

"The administration of the program comes from the association, and the members usually support that. You can get a spread of risk and volume pretty quickly."

Endorsement of a good program also can help the state association. Mr. Van Cleave says INAX is optimistic that it may take some business away from the strong PIA California program.

"I think a lot of California agents who in their heart are Big I agents might switch back because of our program," he said. "When you use a managing general agent, as PIA does, costs are high. I know our costs are 10% below that program."

Mr. Van Cleave says his firm is in the volatile E&O market for the long haul.

"We invested heavily in start-up costs for this effort," he said. "We can't come in and start a program, then end it two years later."

In a press release, IIAAC president Mr. Samuel said negotiations also are under way for an umbrella program and premium finance program to be offered in conjunction with the E&O insurance. ■



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Brokers to imitate

Continued from page 26D

The A&A office has gone to the unit system of production and technical backup to better serve its clients, Mr. Murray says. He's also trying to increase its self-insurance services staff. That operation has grown "from a wish to a dozen people" in two years, he says.

Outside the downtown area, three smaller agencies are trying to expand their business, too.

At James S. Kemper, executive vp William F. Hines is trying to decide whether to stay where he is along the Route 128 belt or move.

"We're reaching the end of our lease here in Braintree, and we have run out of room for expansion," Mr. Hines said. "We've been out here for seven or eight years now, and I think our growth rate has been better because of it.

"There's no parking problem out here and our producers are free to come and go as they please," he added. "I don't think our producers would be as willing to leave the office if we were back downtown. I know from when we were in Boston once they got in and parked that car it was hard getting them out to do anything."

Being in Boston has prestige, Mr. Hines admits, but it may not be worth it.

"I've talked to our large clients about moving back downtown and they tell me that if we do move we won't see them anymore," he said. "We've had more clients in here in the past seven years than we ever did in Boston."

The newest kid on the block is Bayly, Martin & Fay, which opened its Boston office with another ex-Marsh & McLennan employe in January. That employe, BMF president Paul Weitz, says he didn't want to be downtown.

"Our objective is to go after manufacturing business in the entire region," Mr. Weitz said. "We have a good relationship with the

MET sales benefit agents, experts say

TORONTO—Multiple employer trusts can benefit agents as well as employers and insurers, MET experts say.

The sale of these benefits can open the door to lucrative business for the agents, they say.

A panel of experts discussed the basics of the MET business at the annual convention of the Professional Independent Mass-Marketing Administrators here.

"The definition of an MET is a legal entity sponsored by an insurer, agent or administrator for the purpose of getting insurance for people," said Van R. Kelsey, president of the Kelsey National Corp. in Los Angeles.

"They can be sponsored and marketed by an insurer, sponsored by a third party but backed by an insurer, or not sponsored by an insurer where the trust participants take on all the risk.

"The purpose is to reach a large amount of people who could not otherwise get insurance because of the size of their group," he added.

METs are good business for agents because "these types of benefits have to be delivered by a salesman sometime," said Richard Biles, president of Biles & Cook Administrators in Los Angeles.

"A large majority of MET products are sold by agents," he said. "Through an MET, agents can offer good benefits and also make a lot of money.

"For instance, once an agent signs up one employer, that reference often opens the door to 10 or 15 others," Mr. Biles added. "And the agent can take that group and go back with other insurance products and make additional sales."

The best thing, however, is that METs allow the agent to serve clients he would have had trouble with before, he said.

"Through MET methods, you can deliver four or five different product lines to employers—in one billing, which helps agency efficiency," Mr. Biles added.

This can help agent-employer relationships, said Wallace Jeffs, president of Association Administrators & Consultants in Irvine, Calif.

"Let's face it, before 1970 there was very little available for groups of less than 10 people," Mr. Jeffs said. "The little guy was not taken care of. Now, these same employers are buying medical, dental and health insurance. Although they are part of a large group of employers, the insurance plan is personalized to them via the claims process.

A/BT

"This sounds like 'true group' insurance, and it is," he added. "In many cases, there is no health statement needed or other restrictions usually placed on nongroup insurance policies. And the system is flexible enough to use in life, health and other categories."

The price is also a benefit.

"The most competitive program we can offer to employers today is a true group policy," he said. "That's what METs can offer, with a price to match."

"There's another benefit," he said. "If the group is large, we're going to attract the best insurers, the best administrators, the best of everything because that kind of size attracts the best. The small guy again gets the advantages he didn't for years because without the MET these prestige firms wouldn't be the least interested.

"I believe that we can produce a plan for five or six lives that is as good as can be produced for a Fortune 500 company working by itself."

From the insurer standpoint, METs can join industries of similar businesses into one policy, said Warren Gardner, executive vp of B.E.S.T. Plans in Newport Beach, Calif.

"It also opens a very large market for the carrier," Mr. Gardner said. "I read recently that there are three million small employers in the United States, and 2.5 million of these don't offer group plans. That's an awfully big market for all involved to attack."

At another session, participants learned of efforts to revise the model group life bill of the National Assn. of Insurance Commissioners.

A question that has not been resolved by the NAIC task force, which is chaired by California insurance department legal chief Angele Khachadour, is how far a state should go in relinquishing its right to review insurance policies.■

attempt C&B tale

big firms in the Route 128 belt, but they don't move unless there are drastic problems.

"We feel our services will be more appreciated by businesses with smaller sales in the smaller towns."

But "small is beautiful" doesn't keep away the competition.

"We're seeing the big brokers in places we wouldn't see them a year ago," Mr. Weitz said. "They too are starting to break out of their perimeter. I run into two producers constantly—one from Frank B. Hall & Co. and one from A&A.

"We want to grow fast, but not too fast so that our reputation can grow with us," he said. "Our corporate goal is to have each (BMF) office at $1.5 million in revenues. We aren't near that and so people have to wear a number of hats because of that. It's hard, people spend their time doing jobs we would normally delegate."

MacIntyre Fay & Thayer has been around for 40 years, but new vp-operations Sanford Elsass says the firm is just now ready to increase its role in the marketplace.

Like other agencies, MF&T has gone to the unit system in its property/casualty department. Unlike other agencies, the firm is remodeling its offices to accommodate the change.

"We think this system meshes our talents closer together and eliminates personality conflicts," Mr. Elsass said. "We've been at it for six months and I think it is going to work. The next step may be to send each team into different areas of specialization."

His firm is well suited to expand into the far reaches of the Boston area because of its suburban Newton location, he says.

"We strongly believe that the Interstate 495 belt will be the next boom area for brokers," he said. "We're close to it and will be right there." ■



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Reed Stenhouse sets its goals sky-high

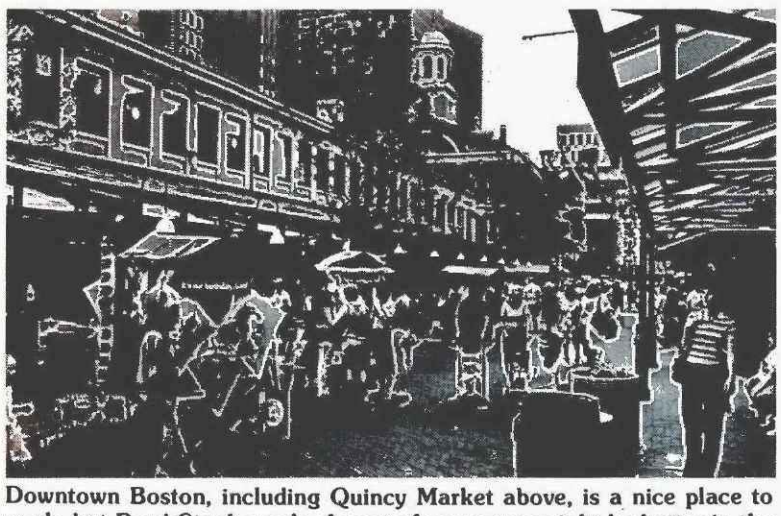


Photo: Dave Galanti

Downtown Boston, including Quincy Market above, is a nice place to work, but Reed Stenhouse's chances for success might be better in the suburbs, says Richard Pierpont.

BOSTON—It doesn't take much of an elevator ride to reach the Boston offices of Toronto-based Reed Stenhouse Cos.

The offices are in one of Boston's prestigious high-rise buildings, but on the the second floor.

Height isn't everything, however, says new senior vp Richard H. Pierpont, who says his goals for the from-scratch agency are sky-high. Following the same dream that made Corroon & Black's local office such a success (see story, page 26D), Mr. Pierpont says he sees rapid growth for the international broker in the New England region.

"We've got a small base here at present compared to some of the other brokers in town," Mr. Pierpont said. "But we've been able to talk to the Polaroids and the Digitals in town. Buyers have been willing to talk to us."

A/BT local leader

It would be hard for his office to compete for jumbo accounts on a regular basis with larger offices such as those of Frank B. Hall & Co. and Marsh & McLennan, he admits. However, he believes Reed Stenhouse can get a foothold in such accounts.

"Sure, I can't always go up against Hall and M&M, if only because my staff isn't that large yet," Mr. Pierpont said. "But I can compete against them on a casualty program, a property program or maybe an umbrella program. And of course, if the risk is international in nature, I could compete very well because of our international operations."

Still, Mr. Pierpont says buyers might be testing his office with small portions of their insurance needs to see whether or not Reed Stenhouse does a good job. If his office can prove itself, he adds, there could be a day when the Boston office could turn in volume increases of 40%.

"The key to any office of our size is to somehow get the good people to join us," he said. "If we get those people, then they will be able to give innovative reactions to insurance problems. If we can do that, then our size and youth won't be a factor here.

"I've had accounts turn me down from bidding because we don't have enough similar business on our books," he added. "But I know we can be creative if they give us a chance."

Looking up is a new experience for Mr. Pierpont, who came to Reed Stenhouse from the Chicago office of Marsh & McLennan. Competition in Boston is more intense, he says.

"People like to stay in Boston, and that means there are many knowledgeable insurance people here," he said. "In addition, there are probably only about one-fourth as many major accounts here as in Chicago. The buyers also seem to be physically closer together here."

Reed Stenhouse will compete by emphasizing specialties of the international organization and its Boston employes, he says.

"We have a broad international staff, so if the risk is internationally based, our people can be there," Mr. Pierpont said. "We also have good connections with the London aviation markets, and that helps. We especially know a lot about helicopters and fixed-wing aircraft because there is a lot of that business in Canada. We'll use that knowledge to go after corporate programs."

Like other brokers new to Boston, he sees promise in the far reaches of the metropolitan area.

"There are always cycles of change, and firms like Reed Stenhouse, Alexander & Alexander and Bayly, Martin & Fay who are new in Boston have to go after the complacency in the larger brokers," he said.

He also sees promise selling personal lines.

"My predecessor sold off the personal lines in this office," Mr. Pierpont said. "But I think we need them. I feel that it is not appropriate for me to tell a chairman of the board that I can't handle his personal insurance along with his business insurance."

But most of all, he remembers what Corroon & Black did.

"Boston is a nice place to live, and the only reason not to live here is if you can't make a living here," he said. "But when I look around and see what Corroon & Black has done I think I can make a living.

"Our chances of success are like those of C&B. Like us, they are guys from Marsh & McLennan who are quality oriented and know what they are doing.

"And I am sure we can attract those good people," he said. "We're small, but we're on the way up and have a big backing internationally. I can tell potential employes that this is their opportunity to get onto the ground floor.

"I guess you could say that Reed Stenhouse came here 10 years too late to be up with the larger offices right now. That may be true. But it also gives an opportunity to go after business they are ignoring." ■

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New owners to tackle liability lawsuits

Continued from page 1
sue," said an officer of the newly formed company, Bell-Riddell Inc. in Los Angeles. A trial attorney retained by the buyers has combed the files and discussed pending lawsuits with Wynn's corporate counsel.

Based on its attorney's evaluation, the new company says it is confident of winning upcoming legal battles. This is bolstered by Wynn's International's record in court. It has been vigorously fighting—and winning—lawsuits against what it unabashedly calls the best motorcycle and football helmets on the markets.

The new owners clearly agree with that assessment. "These companies build helmets that are state-of-the-art," said a spokesman. "They are as safe as modern technology can make them—they just happen to be used in some dangerous activities."

Wynn's vp and general counsel John Borie denies the sale was prompted to unload the helmet makers' product liability suits and exposures.

Another helmet manufacturer, Wilson Sporting Goods Co., dropped its line last year, citing legal and insurance hassles (*BI*, Sept. 17, 1979).

Less than 20% of Wynn's profits and sales last year were generated by Riddell and Bell combined, Mr. Borie said. The sale was made to allow the company to concentrate growth in its automotive aftermarket division, he explained.

The buyers of the closely held company declined to discuss details or numbers of pending lawsuits against it. However, it is believed that since January 1978 Riddell has disposed of about 20 suits, Bell about 15.

With the exception of a $5.3 million jury verdict handed down in 1975, Riddell has not lost a trial decision, said the Bell-Riddell official. "Some suits have been settled for very small amounts," he added.

The multimillion-dollar award to a Miami high school football player who charged his paralyzing injury was the fault of the helmet was later settled for about $3 million.

The size of the jury verdict, however, focused nationwide publicity on the liability exposures of helmetmakers and made it difficult for them to purchase insurance in the commercial market.

Those difficulties led to the formation of Wynn's captive insurance subsidiary, Santana Ltd., in March 1977. It is managed by Johnson & Higgins (Bermuda) Ltd., which will continue that role under the captive's new ownership, said Bell-Riddell.

Most of the risks insured in the Bermuda company belong to Bel and Riddell, but Santana also in sures other Wynn's subsidiaries These will likely move into othe markets after next April when the current policy period ends, Mr Borie said.

Riddell Inc. in Des Plaines, Ill. makes amateur and professiona football and baseball helmets and other athletic softgoods. Bell Helmets manufactures protection helmets for motorcyclists and bicyclists. ■

Cash-flow policies may be illegal

Continued from page 2
paid-loss retros and other cash-flow plans last year, the California insurance department ruled in April that the plans are legal if they meet certain requirements spelled out by the department (*BI*, May 5).

Now Texas will make a definitive decision on the controversial plans after the board hears insurer objections to the plans. Mr. McVey anticipates an appeal to the state courts which will decide the future of cash-flow plans.

"Some companies take the approach that a certain policy has been approved elsewhere so it ought to be OK to use in Texas," Mr. McVey said. But that is not consistent with the rules and regulations of the state's insurance code, he noted.

Brokers and insurers have told *Business Insurance* that cash-flow plans are especially popular in Texas as an alternative to self-insurance, which has not been approved by the state legislature for workers compensation.

Both INA and Fireman's Fund responded to the Texas board's request last April for data and specimen cash-flow policies, Mr. McVey said. Both furnished lists of risks insured through paid-loss retros. Each list included 50 to 100 companies, he recalls.

Liberty Mutal Insurance Co. and Aetna Insurance Co. are among the companies known to write paid-loss retros. The policyholders are typically very large companies with risks scattered in several states.

In the Texas bulletin, commissioner E.J. Voorhis points to specific state rules he believes are broken by cash-flow plans.

In some policies, "the insurer receives only an amount sufficient to cover the administrative expenses of issuing the policy and the first month's estimated loss payments and loss adjustment expense. This may not conform to the amount required by Rule VIII of the general rules of the Texas compensation manual," says the bulletin.

"In addition, policy condition 17 of the uniform workers compensation policy provides that the policy embodies all agreements existing between the insured and the insurer. Promissory notes, letters of credit and premium determination agreements entered into by the insured and the insurer that are not included in the uniform policy approved by the state board of insurance are in violation of article 5.57 of the Texas insurance code."

In the past, insurers have argued that the premium payment mechanism of cash-flow plans is outside the purview of regulators. ■

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Risk act revision limits domiciles

Continued from page 2
have product liability reporting laws. Under an earlier draft, the groups were exempt from such reporting requirements.

- Risk retention groups would be available only to companies that manufacture, sell or distribute products. Plumbers who only install products, for example, could not join a pool.

The latest proposal still allows group-owned companies that underwrite only owners' product liability risks and receive an insurance company charter in any state, Bermuda or the Cayman Islands to service members in all states.

The act would pre-exempt state capital and surplus requirements and eliminate the need for the groups to be licensed in each state or to use a fronting insurer to serve members under state laws.

The proposal doesn't permit these groups to underwrite any risk other than product liability and completed operations insurance for member-owners. The group may not underwrite insurance for the public. Policyholders must either be owners of the pool or members of an association owning the pool.

Some group-owned captives now operating in Bermuda or the Cayman Islands could qualify as a risk retention group under the new proposal. Many others, however, also provide other coverage for members and underwrite some risks for unrelated firms. These group-owned captives would not qualify.

The original Risk Retention Act was drafted by the Commerce Department in response to the product liability crisis of the 1970s. Then companies were complaining about the huge premium hikes, arguing that their individual loss experience wasn't bad enough to warrant the increases.

If insurers once again panic price, businesses will have a new source of insurance, supporters of the act say.

Commerce Committee chairman Howard Cannon (D-Nev.) last month told *BI* he supports the Risk Retention Act. That support gives the proposal a better-than-even chance of clearing Congress this year, observers say.

"I don't see any controversy. There is going to be a bill passed," said one government source.

The House last March overwhelmingly passed a radically different version of the Risk Retention Act. That bill (H.R. 6152) calls for Commerce Department regulation of the pools (*BI*, March 10).

If the Senate approves a different version, as seems likely, the difference most likely would have to be resolved in a House-Senate conference committee. ■

OSHA awards safety grants

WASHINGTON—The Occupational Safety and Health Administration has awarded a total of $3.5 million in grants to help 66 business employe and educational organizations serve as resource centers for job safety and health.

The grants will complete the second year of the agency's training and education program to help eliminate workplace hazards. ■

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Panel approves tax break

Continued from page 3
mittee has responded to the need to increase retirement income," said Michael Romig, employe benefit director at the U.S. Chamber of Commerce.

"The steps taken are cautious, but one has to be satisfied with this breakthrough," Mr. Romig added.

In 1978, the Senate also approved legislation introduced by Sen. Dole that would have allowed employes to take up to a $1,000 tax deduction for voluntary pension plan contributions (*BI*, Oct. 30, 1978).

But that proposal died in a House-Senate conference committee because committee members said they feared the proposed tax deduction would cause a large loss of revenue for the Treasury Department.

The new proposal would reduce Treasury Department revenues by $1.1 billion in 1981 and by $1.6 billion by 1985, according to the Finance Committee.

The bill now goes to the full Senate. ■

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From Marsh & McLennan

Ties to Chicago draw Hines to Ryan

Continued from page 3

a foot in the door to sell a broad range of property and casualty insurance, both as an underwriter and as a broker, Mr. Hines says. And there's new businesses to tap, he says.

Ryan also can capitalize on its underwriting and brokerage facilities to develop specialized products, he noted. "Specialized underwriting and distribution is where the company will grow," he predicted.

Mr. Hines disputes the theory that brokering and underwriting in the same company work to the disadvantage of the insurance buyer.

He maintains they can coexist and thrive under the same corporate umbrella without jeopardizing the quality of either.

"They should be compartmentalized," he said. "The person selling shouldn't be underwriting. There has to be friction created that exists in arm's-length relationships—selling versus underwriting profits."

But anyone caught shortchanging the buyer will lose the business to smart, stiff competition, he contends. "The market polices any abuses."

This challenge of melding underwriting and brokering at Ryan cinched his move. "There are possibilities I could have pursued at Chicago brokerages, but I didn't want a parallel situation so I sidestepped those," he confided.

'I felt out of touch with the huddling process,' says Harold Hines.

Mr. Hines stopped short of naming names. Major brokers headquartered in Chicago include Fred S. James & Co., Rollins Burdick Hunter and Arthur J. Gallagher & Co.

"Of all I might do, Ryan was the most attractive," Mr. Hines said. And he admits he "looked a lot" since he decided last year to leave M&M.

Ryan offers a "broad spectrum of insurance activities—life and benefits as well as property/casualty, underwriting as well as distribution and service and advice," he explained.

He compliments his new boss, 43-year-old Patrick Ryan from whom he takes the president's reins, as "very creative and very bright." Mr. Ryan retains his title of chief executive officer as well as chairman.

Some observers wonder if Mr. Ryan will pass the operating reins to Mr. Hines, even though Mr. Ryan initiated the discussions bringing Mr. Hines to Ryan.

"I have no doubts that Pat Ryan and I will work exceptionally well together. I have no reservations—none," Mr. Hines said.

He also defends his move to a smaller company.

"It is public so there is an obligation to public posture. But it's small enough for the quid pro quo between input of ideas and output. In a bigger company, it is more difficult to create change and see the results.

"It's a superb place to test ideas, cull them and build those that work. I could have gone with very large companies, but I really don't have anything to prove. . ."

He stopped to listen to the echo of that comment, asking if it didn't sound immodest. Convinced it didn't, he continued:

"I want to have fun. Not frolicsome fun, but to solve problems, realize opportunities and get the satisfaction of the rewards of seeing efforts succeed. It will happen faster at Ryan."

Mr. Hines quickly added, "I'm not dissatisfied with M&M. M&M has never been stronger than it is today with its technical professional skills, the assimilation of Bowring and management capability in new dimensions. It was 12 stimulating years."

They began in 1968 when M&M purchased Wineman Brothers Inc., a Chicago agency Mr. Hines helped build. He became a vp with M&M, later took over its Chicago office and produced big growth, repeated his success with the Midwest region and then became president of M&M in 1978.

"I was worried about the commute," he recalled. "M&M said, 'Take an apartment in New York and keep an open mind.' "

But even long stints in New York didn't make up for not being in M&M's headquarters day in and day out, Mr. Hines found.

"I had a growing awareness of the necessity for being in New York and of the difficulty of running an enterprise by the coming and going method. You have to be there to be effective, supportive, creative.

"I felt out of touch with the huddling process that is fundamental to any management interaction—the informal, continuing dialogue that must go on among top managers and those with common responsibilities."

Long-distance telephone calls about discussions he missed didn't substitute for being there. "It was like auditing a class from someone else's notes," he said.

He told M&M last year he couldn't keep up the commute or give up Chicago and the vice chairman's position was created to smooth his departure from M&M.

Mr. Hines and M&M chairman L. Patton Kline both deny Mr. Hines was given an ultimatum to move to New York or leave the president's post.

But even as vice chairman he was commuting to New York more than he wanted, about every other week. In the interests of M&M and for his own satisfaction—which Mr. Hines stresses were in that order of importance—he decided to leave M&M sooner than he had planned.

He has just finished his last operations assignment for M&M: a forecasting system. Now he has an internal planning project to complete by Oct. 1. ■

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39.	IIAA Convention	SEP 29	Sep 17
40.		OCT 6	Sep 24
41.	Market Report: Texas	OCT 13	Oct 1
42.		OCT 20	Oct 8
43.	GROUP LIFE & HEALTH INSURANCE: THE YEAR AHEAD	OCT 27	Oct 14
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Utilities to plug into expense coverage

Continued from page 1

surance in the year following the Three Mile Island nuclear accident.

Several months ago, a Bermuda captive, Nuclear Electric Insurance Ltd., was formed to provide utility companies with a maximum of $156 million each to pay for substitute power to replace that lost by a nuclear plant shutdown (*BI*, Nov. 26, 1979).

Another pool, the long-standing Nuclear Mutual Ltd., recently increased the available property insurance limit to $375 million from $300 million per plant.

The sudden growth of insurance products defies predictions by some experts a year ago that the nuclear insurance market would start to shrink following the record-setting losses by Three Mile Island.

None of the American Public Power Insurance Assn. members had been able to purchase continuing expense insurance when the utility trade group started a year ago to investigate purchasing insurance through an association program.

"We went into this with a high degree of skepticism," said Paul Fry, APPIA director of economics and research. "Just how willing these underwriters would be to take this business, we really didn't know. The conventional wisdom was that the capacity for this was just not there, so we were all a bit surprised when we succeeded."

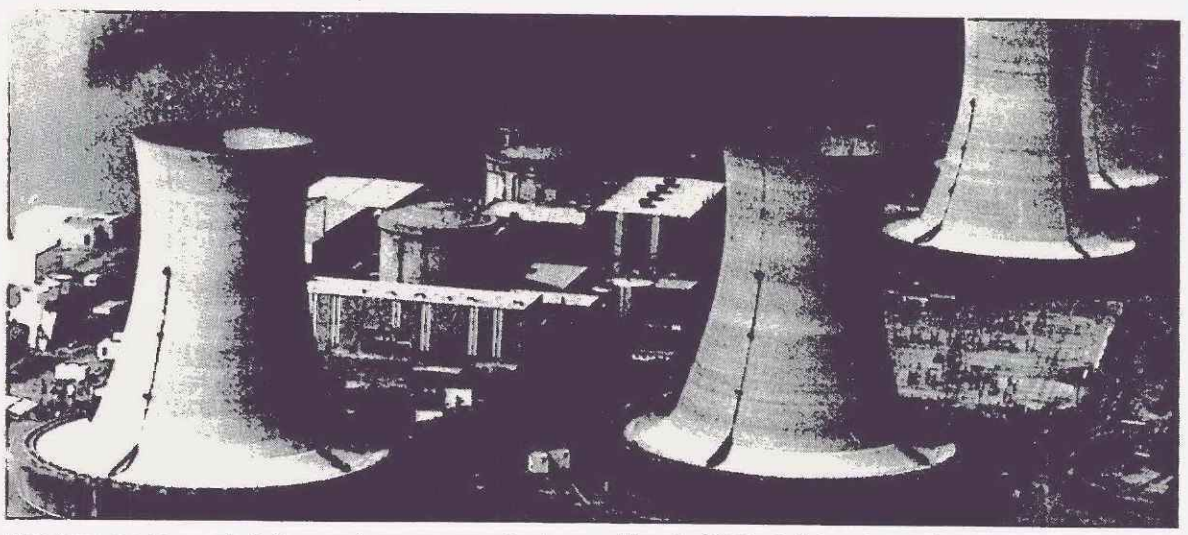
The coverage is available to any utility company that owns or depends on a nuclear plant for part of its electric power. Each utility selects the desired limits, up to a maximum of $150,000 a day.

Utility companies that join the program when it starts Oct. 1 are limited to a maximum of $50 million of coverage over two years. Capacity might eventually grow if the group develops a good track record, Mr. Fry said.

"We know there are some utilities that may need more capacity than this, but we were happy to get this much," he said.

Among the first four or five utilities to commit themselves to joining the program when it starts was Nebraska Public Power. It will buy daily coverage of $100,000, just $50,000 less than the maximum available.

About 15 companies will sign up for the program once it starts, Mr. Grennan predicts.



The insurance market for nuclear power plants has grown since the Three Mile Island accident of March 1979, defying fears that the market would shrink after that incident set record losses.

Buyers must go through the association and Fred S. James & Co. to tap the program. The Chicago broker did not receive an upfront fee for putting the proposal together, Mr. Grennan said, but will earn a commission on each policy.

Meanwhile, a bit of forced risk management by the federal government is designed to reduce nuclear power failures from accidents.

The House of Representatives last week passed a bill ordering the Department of Energy to oversee the safety operations of the nation's nuclear plants for the next five years. The bill calls for a $28 million appropriation.

The bill directs the department to create model safety and operator-training programs for nuclear plants to implement and to periodically review the program. ■

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Preventive medicine

Health epidemic sweeps nation

Continued from page 1

fairs at Kimberly-Clark Corp. in Neenah, Wis.

Still, employers are willing to invest sizable chunks of money into developing health programs. For example, Kimberly-Clark budgets $1 million annually for its wellness program.

Some, like Control Data Corp. and Westinghouse Electric Corp., plan to market their health promotion programs to the public.

Basically, employe health programs can be divided into two categories:

- Preventive medicine programs that give the employe necessary information to change his or her lifestyle to prevent sickness.
- Employe assistance programs that help those with a health problem before it becomes chronic or manifests itself on the job.

Dozens of companies have sprung up to help employers administer preventive medicine programs. They provide services including employe risk profiles, lab work, education courses and getaway weekend retreats.

As a starting point for a wellness program, 10 firms offer computerized health risk profiles or health hazard appraisals. (See chart.) These individual surveys describe a person's chances of becoming ill or dying within a given time.

The employe fills out a questionnaire, which ranges from 30 to 300 questions, and a physician provides results from specific tests including blood pressure and serum cholesterol. All this information is fed into a computer, which returns a personalized health analysis.

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THE HEALTH CORPORATION, Attn. Sylvia Laurenti, 2100 M Street N.W., Suite 316, Washington, D.C. 20063; toll free (800) 424-8894 or (202) 872-5379.	$26 per person for personal health appraisal; group rate available.

Source: Bureau of Health Education, Center for Disease Control, Atlanta, Ga.

Free help

The Center for Disease Control asks employes about 50 questions and provides a two-page health report. CDC will provide up to 200 questionnaires free to corporations and give them sample data, guides for interpreting the data and community resource guides.

"The General Health Inc. profile takes a fair amount of time to fill out and requires a fair amount of education," said Westinghouse's Dr. Curtis, who is administering it to executives.

"The Medical Datamation one is much shorter and can be used by blue-collar workers," he said "But it is not as comprehensive. It doesn't provide the information about coping techniques and support systems."

Employers disagree on whether the profiles should be used alone or with an education program.

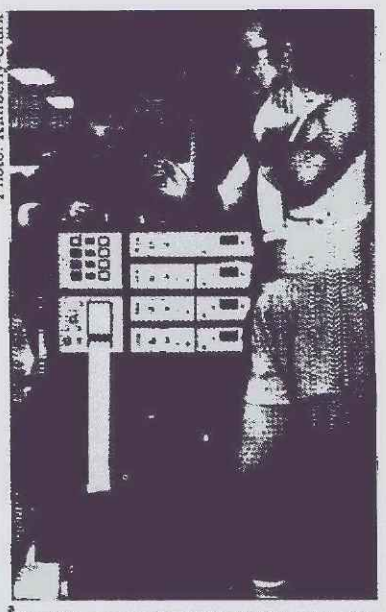


Photo: Kimberly-Clark

Health appraisal is only one aspect of company fitness programs for employes.

Westinghouse, Pepsico, Kimberly-Clark and Control Data Corp. have follow-up programs.

"Follow-up is really important," said Dr. Curtis at Westinghouse. "People who get a report but don't have a source to whom they can turn may be in worse shape than if they never had the profile done."

Westinghouse is offering a four-day weekend seminar on health improvement and stress management for four pilot groups of 250 executives and their spouses.

As part of the follow-up, small group sessions will be formed on quitting smoking, weight reduction and meditation.

Westinghouse hopes eventually to expand a health program to its 145,000 employes.

"This is an in-house program with an eye to the market," Dr. Curtis explained. "If it proves as successful as we think it could be, we'll market it. In six months we'll be ready to talk about it."

The cost to Westinghouse is about $500 a person, not including retreat meals and lodging, said Dr. Curtis. The price covers the compiling of information, interviews, workshop and follow-up.

Pepsico also incorporates education into its new health appraisal program with individualized counseling for the 1,300 employes at its corporate headquarters and nearby offices.

It offers fitness classes and hopes to begin classes in stress and diet management, which are now handled individually.

However, not all employes see the need for the company to provide follow-up programs after the health hazard appraisal.

"We're not going to have educational sessions," said Dick Dornfeld, human relations officer at the St. Paul Cos. in Minnesota.

The general risk appraisal, which is provided by General Health Inc. in Washington, is complete enough, he said. "It doesn't require a mental genius to either go to the 'Y' or buy a pair of running shoes and go out on one's own," he said. Employes are referred to local resources.

"The whole theme of this program is self-responsibility," said Mr. Dornfeld. St. Paul Cos. employes pay $10 for the risk appraisal and the company kicks in $20.

Full program

About 170 of the 1,500 employes in the home office in St. Paul signed up for the risk profile. The program will be expanded to five subsidiaries and 10,000 employes. Fifty percent are expected to participate.

Kimberly-Clark has had a full-range program for three years.

It includes a computerized health risk profile, multiphasic testing (a series of laboratory tests), physical exam and exercise tests, health review and recommendations by a staff physician or nurse, an aerobic exercise program, health education classes and an employe assistance program for chemical dependency.

Results of first-time retesting on a small group of eligible employes who have been on the program 12 to 18 months show significant reductions in blood pressure and blood fat levels, said Dr. Dedmon, staff vp.

But no significant changes were recorded in weight, body fat or cholesterol.

About 90% of the 2,100 eligible employes have been screened, Dr. Dedmon said. About 25% of those eligible use the exercise facility two or more times a week and an additional 20% exercise outside of work.

"Motivation is still a problem," Dr. Dedmon said. "It's not only a question of how to get people to start the program, but how to get them to stick with it."

The real question, however, is whether the high-risk candidates are even using the program.

"That's the real proof of the pudding," said Pepsico's Mr. Colacino. "We know that for 10% to 15% of the people if we locked the doors (to the sports facility), they'd still find a way to get in."

But the grossly overweight and the heavy smokers don't want to be told they're in bad shape, said CDC's Mr. Althafer.

Kimberly-Clark's operating budget for the program is just under $1 million. The annual per employe expenditure is about $435, including the comprehensive medical exam.

"The payoff is worth it," Dr. Dedmon said. The program has had a tremendous pull on young recruits, he said. The firm has had more than 500 visits from companies, universities and government agencies interested in the program.

Assistance model

The pioneer of employe assistance programs, Kennecott Corp. in Salt Lake City, Utah, has shown a $5.63 return for every dollar it has invested in its health program, found PA Mangement Consultants in New York.

Kennecott's 10-year-old program has served as the model for other companies across the country, including U.S. Steel and Philadelphia Bell.

A staff of three health professionals sees more than 1,200 individuals a year, a great many of whom are referred outside for help. About half the patients are employes and half are dependents. The team sees more than 100 new patients a month.

A study of 150 people made six months after they received treatment in the program showed a 52% improvement in attendance, a 74.6% decrease in weekly indemnity costs and a 55.4% decrease in hospital medical surgical costs. ■

Len Strazewski takes his games seriously.

Len is features editor of Business Insurance.

One of his responsibilities is the supervision of the Agent/Broker Topics section. This special section, read by a large audience of insurance agents and brokers, carries news and features about major insurance markets, agency profiles, the modern management of agencies/brokerages, as well as other timely topics of interest to busy producers.

Len is also the co-author of the now famous London Game* which became an instant conversation piece among insurance influentials.

Len Strazewski brings to Business Insurance a dimension of editorial perception and judgment which results in articles and think pieces that become must reading for risk/insurance/benefits decision-makers.

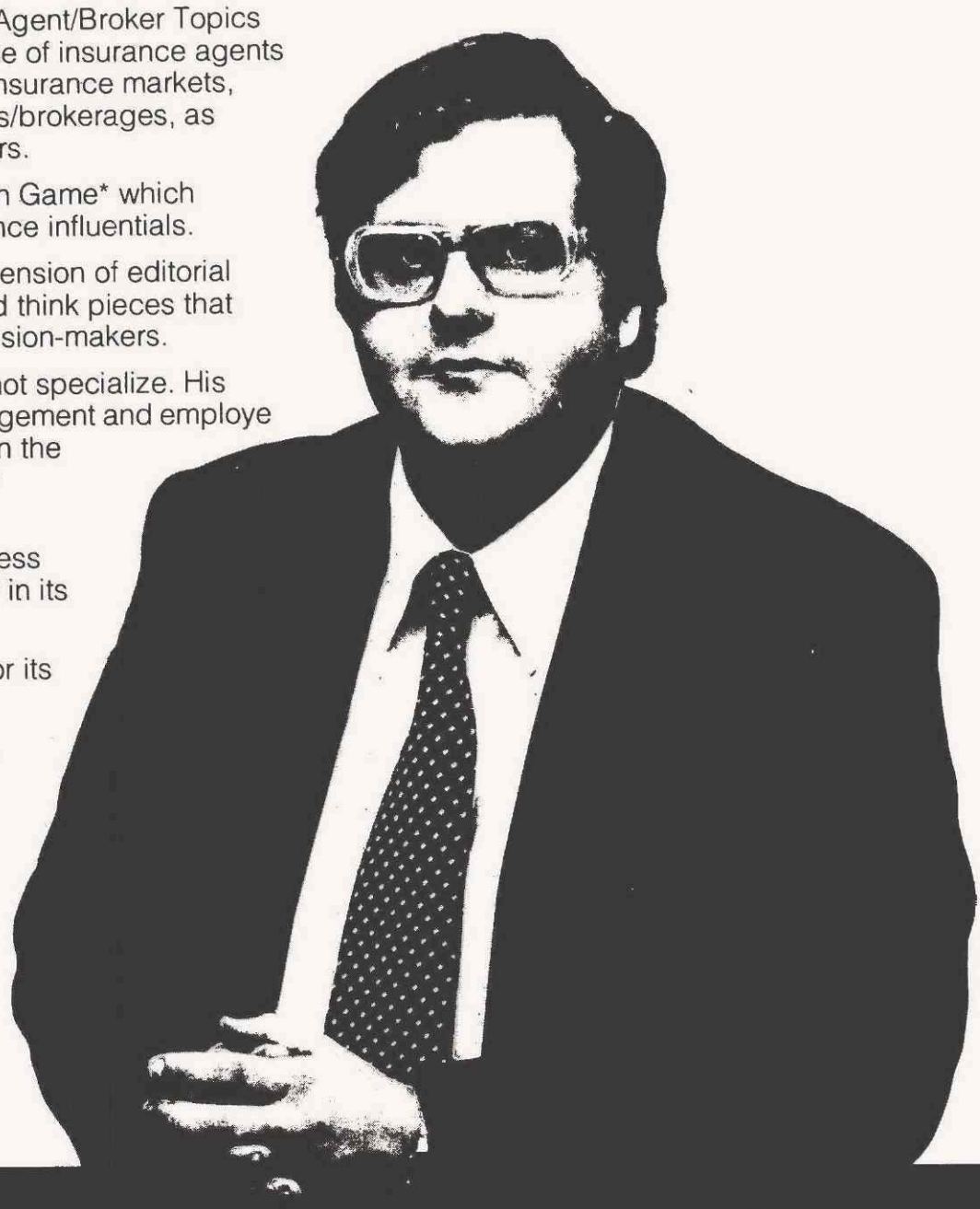
Yet Len, like all of our editors and reporters, does not specialize. His stories cover a wide spectrum of insurance, risk management and employe benefits. And his incisive, thorough reports have been the subject of discussion, earnest analysis and *action* by influential corporate and government officials.

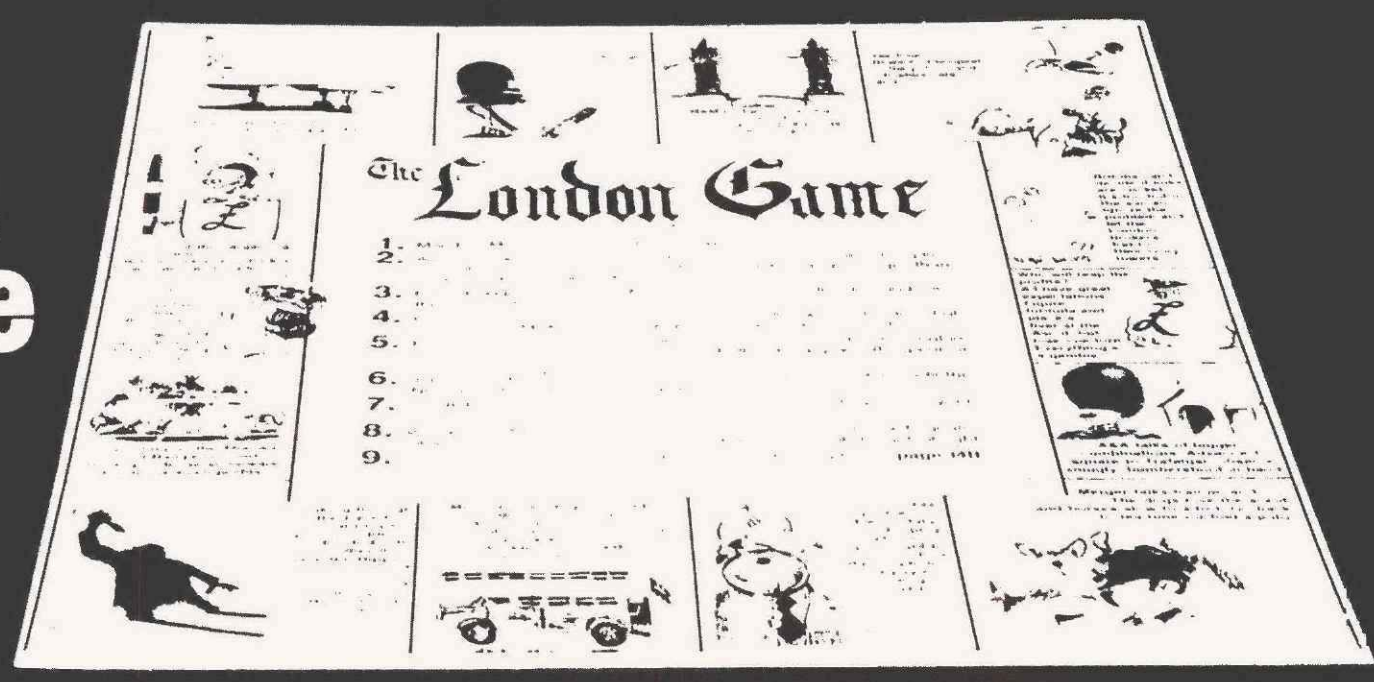
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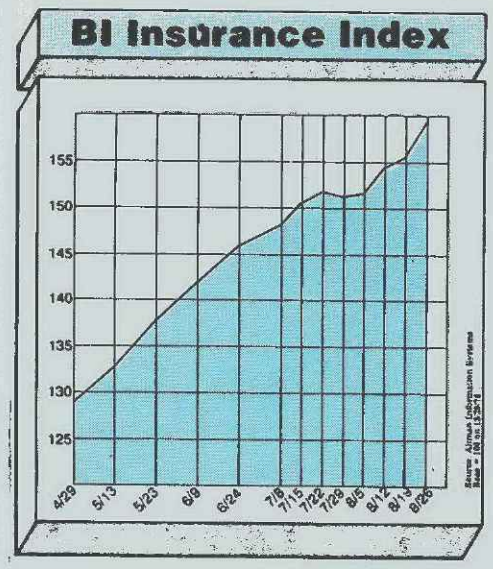


business insurance

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Insurance industry stocks made another strong showing in the last week. The *BI* stock index showed a rise of 3.5 points to 159.3 from 155.7. The base of 100 was at year-end 1978. Thirty-eight stocks rose, 19 declined and 16 stayed the same. Biggest gainer was Bitco Corp., which rose 23.3%, followed by: E.H. Crump Cos., 19.5%; Washington National Corp., 15.8%; Ryan Insurance Group, 15.4%, and American Indemnity Financial Corp., 10.2%. Biggest declines were shown by Pinehurst Corp., 10%, and Avemco Corp., 3.1%. Aetna Life & Casualty Co., Statesman Group Inc. and INA Corp. all dropped less than 3%. The index, gaining 2.3%, again surpassed the three major stock market indicators.

British Issues

8/26 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	168	8.4	14.00	8.3	170—162	
Eagle Star	237	7.9	12.86	5.4	238—226	
Gen! Accident	326	8.2	17.14	5.3	332—328	
Gdn Royal Exch	326	8.6	19.28	5.9	330—321	
Phoenix	288	8.0	19.00	6.6	290—284	
Royal	418	8.7	30.71	7.3	425—405	
Sun Alliance	746	9.6	40.00	5.4	754—740	
Brokers						
CE Heath	206	9.1	13.80	6.7	210—207	
Hogg Robinson	121	9.0	8.14	6.7	122—120	
Alex Howden	106	7.7	10.00	9.4	106—105	
JH Minet	103	11.8	6.38	6.2	104—103	
Sedg Grp	126	10.6	7.14	5.7	129—126	
Stenhouse Hldg	89	8.2	6.46	7.2	90— 89	
Stew Wrightson	225	9.0	17.14	7.6	224—218	
Willis Faber	246	13.1	15.71	6.4	250—247	

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

NN purchase pumps more life into Armco

By STUART EMMRICH

ARMCO INC., following a year-long campaign to improve its ailing insurance operations, is seeking a massive transfusion of new business by buying NN Corp. of Milwaukee.

The proposed merger will almost double the property/casualty insurance business of the diversified Ohio steelmaker and takes Armco into life insurance for the first time. It will also add Main Street risks to the portfolio of huge corporate accounts Armco has traditionally specialized in underwriting.

NN Corp.'s subsidiaries, all rated A or A+ by Best's, underwrite a wide range of products, including reinsurance, in both personal and commercial lines. Risks including automobile, property, multiperil, general liability, workers compensation, fidelity and surety and marine are underwritten through independent agents and brokers.

The $312 million NN acquisition comes almost a year after Armco instituted a recovery program to shore up operations of its insurance subsidiary then known as Bellefonte Financial Corp. (*BI*, Oct. 15, 1979).

Armco originally got into the insurance business in 1968 by expanding the business of its captive insurer, Bellefonte, to unrelated risk underwriting. Fast growth during the period of stiff competition and low rates in the early 1970s eventually caught up with Bellefonte, forcing larger loss reserves and bad underwriting results in the late '70s.

Armco brought in Ted Cohen from ITT as the new chairman for the Bellefonte Group last year, promising 1980 would be a year of correcting past problems and laying the foundation for future growth.

NN's underwriting results are far superior to Armco's, which are still recovering from the 1970s. NN's combined ratio of 95.4% in 1979 beat the industry average of 101% and Armco's 111.9%.

Armco last year wrote $245 million in premiums and earned $15 million in net income. NN Corp.'s property/casualty division wrote $332.2 million in premiums. Overall, NN earned $30 million on revenues of $422.8 million.

BI ticker

Armco officials are a bit reluctant now, however, to talk about future plans with NN. They say the acquisition has to be approved by the boards of both companies and no final decisions have been made about how the two will operate.

But they acknowledge the purchase of NN will greatly improve Armco's position in the market and puts the company about three years ahead of schedule in its overall plans for Armco Insurance Group, the new name of the company's financial services subsidiary.

The combined earnings of Armco Insurance and NN would have totaled about 9% of Armco's total assets in 1979. Armco had set this goal for insurance operations by 1983, a company spokesman said. Last year, insurance operations accounted for about 5% of the company's assets.

Although the purchase of NN will bolster the insurance revenues of Armco Financial Services Corp., Armco officials said NN and Armco's current insurance concerns will operate independently at first.

"We see this as a self-contained division of Armco," a spokesman said. "We are not going to go in and say, 'Write this line of business or don't write this line of business.' It will pretty much be left to do business as it has in the past, with the same people doing the same jobs."

The spokesman acknowledged some areas of business might not only overlap, but also create competition between NN and Armco, such as in risk management services. But he said no decisions have been made to eliminate duplications or merge them.

"Of course, we might one day decide to do that, or go into an entirely new area altogether, or even pull out of some line that neither has been particularly happy with in the past," he said. "We have to just wait and see what will happen when things are less up in the air."

One immediate change is Armco entering the life insurance market, a plan announced by Mr. Cohen last fall.

In purchasing NN Corp., Armco picked up the pieces left by Engelhard Minerals & Chemicals Corp., which was expected to buy NN until two weeks ago.

BI Industry Stock Report

AUG. 26, 1980 8/20/80 THRU 8/26/80

Insurance Cos.		Price	% Chg	P.E.	$ Div.	% Yld.	High	Low	Vol (000)
Aetna Life & Cas Co	NYSE	34.63	-2.5	4.9	2.12	6.1	35.25	34.63	821.4
American Bankers Ins Co Fla	OTC	7.25	0.0	4.9	0.44	6.1	7.50	7.25	96.9
American Finl Corp Ohio	OTC	22.25	5.3	6.0	0.50	2.2	22.25	21.25	25.8
American Gen Ins Co	NYSE	36.00	6.3	5.6	1.00	2.8	36.13	34.88	200.7
American Indty Finl Corp	OTC	16.13	10.3	4.9	1.12	6.9	16.13	14.50	47.0
American Intl Group Inc	OTC	74.00	6.5	10.9	0.50	0.7	74.00*	70.00	104.4
American Natl Ins Co	OTC	15.50	-0.8	6.2	0.62	4.0	15.75	15.50	121.7
American Sts Life Ins Co	OTC	19.00	0.0	7.9	0.64	3.4	19.00	19.00	0.1
Aneco Reins Ltd	OTC	5.75	0.0	*****	0.00	0.0	6.00	5.63	23.5
Appalachian Natl Corp	OTC	1.87	0.0	5.4	0.05	2.7	1.88	1.88	0.0
Avemco Corp	AMEX	11.62	-3.1	8.3	0.50	4.3	12.00	11.63	26.9
Banks Iowa Inc	OTC	25.50	0.0	4.3	1.32	5.2	25.50	25.50	0.1
Bitco Corp	OTC	37.00	23.3	5.5	1.68	4.5	38.50*	31.00	43.7
Carolina Cas Ins Co	OTC	7.50	5.3	4.4	0.32	4.3	7.50	7.25	1.6
Central Natl Finl Corp	OTC	9.75	0.0	4.0	0.50	5.1	9.75	9.75	0.1
Chubb Corp	OTC	39.25	2.6	5.2	2.40	6.1	39.25	38.25	118.0
Combined Intl Corp	NYSE	19.75	-1.9	5.7	1.40	7.1	20.00	19.75	80.7
Connecticut Gen Ins Corp	NYSE	40.12	2.9	6.0	1.52	3.8	41.38	40.13	120.6
Continental Corp	NYSE	29.13	1.3	5.6	2.20	7.6	29.63*	28.50	151.1
Crawford & Co	OTC	18.00	1.4	15.2	0.54	3.0	18.00	17.75	7.1
Crown Life Ins Co	OTC	78.50	0.0	56.9	2.40	3.1	78.50	77.00	1.1
Crum & Forster	NYSE	27.50	-0.5	4.8	1.44	5.2	29.00*	27.50	93.7
Employers Cas Co	OTC	33.50	0.0	5.5	1.20	3.6	33.50	33.50	1.2
Erc Corp	OTC	94.00	-0.8	10.6	1.40	1.5	94.50	94.00	1.7
Equifax Inc	NYSE	22.37	0.6	7.7	2.40	10.7	22.75	22.13	2.7
Farmers Group Inc	OTC	30.87	3.3	9.9	1.00	3.2	30.88	29.88	121.3
First Colony Life Ins Co	OTC	33.75	0.0	11.6	0.76	2.3	34.00	33.75	4.4
Foremost Corp Amer	OTC	19.62	0.0	7.5	0.60	3.1	19.75	19.63	9.1
General Reins Corp Del	OTC	58.25	6.4	8.8	1.40	2.4	58.25*	55.00	277.7
Globe Life & Acc Ins Co	OTC	34.50	0.0	12.3	0.40	1.2	DID NOT TRADE		
Great West Life Assurn Co	OTC	165.00	0.0	8.2	8.00	4.8	165.00	165.00	0.0
Hanover Ins Co	OTC	44.50	6.0	4.2	0.72	1.6	44.50*	43.50	21.2
Hartford Steam Boiler Insptn	OTC	30.25	-0.8	6.4	2.20	7.3	30.50	30.25	14.0
Integon Corp	NYSE	29.25	-0.8	10.6	0.48	1.6	29.75*	28.50	159.3
Jefferson Natl Life Ins Co	OTC	48.00	5.5	14.3	0.64	1.3	48.00	46.00	9.1
Kemper Corp	OTC	30.75	2.1	4.3	1.40	4.6	30.75	29.25	135.4
Lincoln Natl Corp Ind	NYSE	43.00	-0.6	5.9	3.00	7.0	44.25	42.63	55.5
Mgic Invt Corp	NYSE	27.50	8.4	7.9	1.12	4.1	27.63	25.50	207.3
Mission Ins Group Inc	NYSE	37.00	2.8	7.9	0.80	2.2	37.00	36.00	47.1
Nationwide Corp Ohio	OTC	19.75	0.0	5.2	0.66	3.3	19.75	19.75	0.7
Nn Corp	OTC	46.37	-0.5	10.6	2.00	4.3	46.75	45.00	224.1
Northwestern Natl Life Ins	OTC	33.87	0.4	6.4	1.25	3.7	34.13	33.75	31.1
Ohio Cas Corp	OTC	35.25	1.8	5.4	1.76	5.0	35.25	34.50	41.3
Old Rep Intl Corp	OTC	17.37	6.1	4.2	0.92	5.3	17.38	16.38	60.5
Pinehurst Corp	OTC	6.75	-10.0	10.1	0.00	0.0	7.50	6.75	32.3
Preferred Risk Life Ins Co	OTC	18.25	1.4	6.3	0.64	3.5	18.38	18.25	3.8
Provident Life & Acc Ins Co	OTC	45.50	2.2	5.7	1.88	4.1	45.50	44.50	29.9
Republic Natl Life Ins Co	OTC	21.50	3.0	13.3	0.70	3.3	21.75	20.75	463.4
Ryan Ins Group Inc	OTC	20.50	15.5	6.2	0.12	0.6	20.50*	17.75	13.9
St Paul Cos Inc	OTC	37.75	4.5	5.2	2.00	5.3	37.75	36.25	188.5
Safeco Corp	OTC	40.12	0.6	5.8	1.80	4.5	40.25	39.88	123.4
Sri Corp	OTC	24.25	2.1	4.7	1.00	4.1	24.25	23.75	32.9
Seibels Bruce Group Inc	OTC	19.25	2.7	7.8	0.80	4.2	19.50	19.00	42.3
Statesman Group Inc	OTC	5.62	-2.2	4.4	0.15	2.7	5.75	5.63	32.1
Tokio Marine & Fire Ins Co	OTC	144.75	-0.5	15.3	0.00	0.0	145.00	142.63	22.7
Travelers Corp	NYSE	40.25	-0.6	4.4	2.48	6.2	41.13	40.25	555.9
United Fire & Cas Co	OTC	27.25	0.0	7.4	0.90	3.3	27.25	27.25	0.1
United States Fid & Gty Co	NYSE	42.25	2.1	5.0	2.80	6.6	42.50	41.13	106.5
United Svcs Life Ins Co	OTC	16.25	-3.0	5.7	0.96	5.9	16.63	16.25	50.2
Uslife Corp	NYSE	22.75	1.1	5.7	0.70	3.1	23.00	22.75	267.9
Washington Natl Corp	NYSE	34.75	15.8	7.0	1.50	4.3	34.75*	33.25	202.9
Zenith Natl Ins Corp	OTC	15.00	1.7	8.5	0.50	3.3	15.00	14.75	24.6
INSURANCE COMPANIES	AVERAGE			7.2		3.6			
Agents/Brokers									
Alexander & Alexander Svcs	OTC	36.50	5.0	12.0	1.64	4.5	36.50*	34.75	88.9
Baldwin & Lyons Inc	OTC	28.75	0.0	5.3	0.80	2.8	28.75	28.75	3.4
Corroon & Black Corp	NYSE	25.37	0.0	10.2	1.72	6.8	25.75	25.38	22.6
Crump E B Cos Inc	OTC	13.75	19.6	12.3	0.36	2.6	14.25*	13.00	96.1
Hall Frank B & Co Inc	NYSE	27.75	9.4	9.1	1.54	5.5	27.75	25.75	38.5
Integrated Res Inc	AMEX	16.13	-1.5	8.9	0.00	0.0	17.25	16.13	135.1
James Fred S & Co Inc	NYSE	27.00	0.9	9.8	1.60	5.9	27.50	26.75	53.4
Marsh & Mclennan Cos Inc	NYSE	68.00	-0.7	10.8	3.60	5.3	68.75	68.00	126.7
Penncorp Fincl Inc	NYSE	8.25	1.5	5.3	0.16	1.9	8.25	7.88	264.6
Reed Stenhouse Cos Ltd	OTC	11.00	-1.1	9.2	0.56	5.1	11.13	11.00	22.0
Rollins Burdick Hunter Co	OTC	23.50	2.2	10.4	1.24	5.3	23.50	23.00	22.0
AGENTS/BROKERS	AVERAGE			9.2		4.6			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	36.00	-1.4	7.2	2.00	5.6	37.13	36.00	504.0
Anderson Clayton(Ranger/PanAm)	NYSE	25.25	3.1	6.3	1.12	4.4	25.25*	24.63	15.6
City Investing Co. (Home Ins.)	NYSE	26.25	11.7	5.4	1.50	5.7	27.00	23.75	1,726.8
CNA Finl Corp (CNA)	NYSE	16.63	6.4	4.1	0.00	0.0	16.63	15.63	89.7
Control Data (Comml. Credit)	NYSE	74.12	11.9	9.8	0.60	0.8	74.13*	67.13	704.7
INA Corp (Ins. Co. of NA)	NYSE	36.75	-2.0	5.4	2.20	6.0	37.75	36.75	513.7
ITT (Bartford Group)	NYSE	30.87	0.0	10.6	2.40	7.8	31.00	30.88	721.7
Reliance Group Inc	NYSE	71.62	8.9	2.9	3.00	4.2	71.75	65.25	55.1
Sears Roebuck & Co. (Allstate)	NYSE	17.63	-4.1	8.5	1.36	7.7	18.50	17.63	1,475.1
S & H Co. (Bayly Martin & Fay)	NYSE	18.00	-0.7	7.5	1.00	5.6	19.00*	18.00	39.9
Teledyne Inc (Argonaut)	NYSE	167.37	10.2	7.2	0.00	0.0	167.38*	153.25	306.3
Transamerica Corp (Occidental)	NYSE	18.38	-0.7	5.0	1.12	6.1	18.50	18.25	333.2
CONGLOMERATES/HOLDING COS.	AVERAGE			5.9		3.0			

System design: Altman Information Systems

Financial briefs

Continental Corp.

Mild increases in some rates, particularly for workers compensation and general liability, are helping The Continental weather the present rate-cutting market. But company officials say they are still having a tough time racking up profits.

At a recent meeting with security analysts in New York, Continental Corp. officials admitted that the outlook for the immediate future is not especially rosy, but added that the company is holding its own in the market.

Premiums increased 5% to $1.3 billion during the first six months of the year, but operating income dropped 11% to $116 million. Net income also dropped 17% to $109 million.

Investment income continued to be a bright spot for the company, increasing 19% during the first half of the year to $191 million.

Catastrophe losses hit the company especially hard during the first six months of 1980, totaling $33 million. The company had anticipated only $22 million in losses for all of 1980, said executive vp John Bretherick, who added that despite these high losses, property rates are continuing to drop.

Written premiums for the company's property/casualty division increased about 10% to $110 for the first six months of the year, while rates rose about 2.6%, about a point higher than the increases achieved at the same time last year. Mr. Bretherick said, however, he doubted there would be any more increases before the end of 1980.

Asbestosis claims continued to rise for the company this year and Continental has increased its reserves for them by $2.5 million, with further increases probably needed in the next few months, Mr. Bretherick said. Black lung claims cost the company $8 million so far this year.

National Reinsurance, which writes mainly domestic treaty reinsurance for Continental, wrote $86 million in premiums during the first half of 1980 and earned $5.8 million, decreases of 5% in premiums and 26% in income over the same period in 1979. The combined ratio for the subsidiary rose five percentage points to 103.5%.

Continental's surplus and reinsurance brokerage organization, Swett & Crawford, wrote $18.1 million in net premiums, a decrease of 20% from a year ago. Income, however, increased 23% to $8.5 million, while the combined ratio improved to 95.9%, from 96.9% in the first six months of 1979.

Kemper

Kemper Corp. has reported operating earnings of $42.9 million, or $3.43 per share, for the first six months of 1980, an increase of 9.9% from the $37.7 million recorded, or $3.12 per share, in the first half of last year.

For the second quarter this year, operating earnings totaled $24.9 million or $1.99 per share as opposed to $21.9 million or $1.81 per share for the 1979 period, Kemper said.

Property/casualty earnings were $26.9 million or $2.15 per share for the first six months of this year, up from $23.3 million and $1.93 per share in the same period last year. Property/casualty sales for the six months totaled $387 million, a 5.3% increase over the $367 million reported for the first half of 1979.

Operating earnings for Kemper Reinsurance Co. and its subsidiaries rose to $9.2 million compared with $6.5 million for the first half of last year. ■

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